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# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



## THESIS

BURMA ON THE BRINK:  
COMPLICATIONS FOR U.S. POLICY  
IN BURMA

by

Edward W. Rogers

December, 1991

Thesis Advisor:

David Winterford

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Burma on the Brink:  
Complications for U.S. Policy in Burma

by

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Submitted in partial fulfillment  
of the requirements for the degree of

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from the

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## **ABSTRACT**

This thesis discusses the issues and circumstances present in Burma which have complicated and frustrated U.S. counter-narcotics efforts and overall U.S. policy in the past. The thesis attempts to forecast the future of Burma and suggests needed reforms for development. Potential U.S. policy is proposed which accounts for the political instability and economic decline of Burma while remaining within internationally recognized guidelines.



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## I. INTRODUCTION: A NATION IN TURMOIL

Burma is the largest country of continental Southeast Asia. As a British colony, it was little known and of less importance to the United States. Not until World War II was the strategic importance of Burma recognized; the 'Burma road' was acknowledged as instrumental in resupplying Chinese forces fighting the Japanese during WWII. Hill tribes from Burma's Shan state were used by the CIA during the post-war era to gather intelligence information on mainland communist China. During the past three decades, however, the country has had a much greater impact on the United States from a very different perspective. The flourishing narcotics industry of the 'Golden Triangle' is centered in the eastern region of Burma.

This thesis will discuss more than just the narcotics industry of Burma; other factors are involved which have helped entrench the trade and have complicated efforts to stop the flow of heroin to the United States. These elements will be discussed in detail to show the complex nature of the overall turmoil enveloping Burma today. Future U.S. counter-narcotics programs will be discussed in light of these changing variables, and how the overall Burma policy must incorporate these factors to be effective.

"Drugs have been used since civilization began for medication, meditation, divination, and recreation. But at no time in history has there been such grave concern--from heads of state to the average citizen--over the epidemic nature of drug abuse and the insidious social and financial consequences of illicit trafficking," Secretary-General Javier Perez de Cuellar told the U.N. Economic and Social Council on May 24, 1985. "Illicit drugs, wherever they are produced or used, contaminate and corrupt, weakening the very fabric of society. These problems have already afflicted every region in the world," he declared.<sup>1</sup>

The narcotics industry imposes exceptional costs on the economy of the United States, undermines our national values and institutions, and is directly responsible for the destruction and loss of many American lives. The international traffic of illicit drugs constitutes a major threat to our national security and to the security of other nations.<sup>4</sup>

Narcotics have been deemed a major threat to our national security in the 1990's. President Bush's policy paper, published in August 1991, stressed the importance of drug

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<sup>1</sup> 1986 International Narcotics Control Board Report, "Yes to Life, No to Drugs", U.N. Chronicle (New York: Department of Public Information; United Nations, VOL XXIV, no. 3 (Aug 1987), ii.

<sup>2</sup> George Bush, National Security Strategy of the United States (Washington, D.C.: The White House, August 1991), 1-31.

interdiction as part of his war on drugs. Most of the interdiction efforts have been focused in Latin America and South America because of their close proximity to the United States and the flourishing narcotics trade in that region of the world. However, other areas of the world are equally--and in some ways more urgent--specifically, the 'Golden Triangle', in Southeast Asia.

In the past decade opium production records have been broken almost every year in Southeast Asia's Golden Triangle. The region currently accounts for 70% of the world's heroin. The majority of production takes place in Burma, which supplies as much as 60% of the U.S. demand for the "wonder drug". The focus of this study will be directly related to Burma, the complex factors which have contributed to the horrific growth of the industry, and the measures which have been, and are being taken to reverse the development of the trade.

Initial predictions are that Burma's 1991 crop of heroin will exceed that of 1990, which the U.S. government estimates put at 2,250 metric tons.<sup>3</sup> As more "China White" heroin reaches the U.S., street-level purity has increased from 3% to as high as 35%. At that level it no longer has to be

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<sup>3</sup> "International Narcotics Control Strategy Report: Mid-year Update", United States Department of State; Bureau of International Narcotics Matters (September 1991) 55. The figures are not yet out for 1991, though this is already the 1992 growing season.



injected; it can be snorted or smoked, making heroin the drug of choice among growing numbers of young Americans. According to an unofficial U.S. government estimate, there are now roughly 1 million heroin addicts in the U.S., or more than twice the number reckoned during heroin's "heyday" of the 1960's and 1970's.<sup>4</sup>

This complex problem has no simple solution; the narcotics industry in Burma has become thoroughly entrenched from years of unofficial complicity throughout the region. Confused by broader issues, the security and stability of the region is directly threatened. Civil war has raged throughout the land since independence; economic turmoil has retarded growth; political instability threatens to topple Burma's government. The very future of Burma is in question; will the present government be willing or able to take effective action to arrest the recalcitrant issues which have induced the cancerous growth of the opium industry? Or, is a change in leadership required before a pragmatic solution can be initiated?

Without a political settlement with the various ethnic insurgencies, opium trafficking is likely to become further entrenched in Burma. Even if such a settlement were achieved, enforcement actions would need to be combined with economic development to achieve long-term narcotics reductions. The

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<sup>4</sup> Hodding Carter IV, "King of the Jungle", M Inc. Vlll, no.6 (March 1991) 85.

recent U.S. enforcement-based assistance did little to encourage a resolution to the insurgent dilemma, nor did it address the economic quandary within Burma.

These issues have been addressed in and of themselves, but with little or no association to the narcotics industry; they are all interlinked, and none can be solved without accompanied reforms in the other problem areas. To further complicate counter-narcotics efforts, human rights violations by the current Burmese Government have strained relations between Burma and the international community. Without progress in Burma's internecine politics, a resolution to the opium trade will not be forthcoming. Veritable economic reforms must also accompany any comprehensive counter-narcotics program.

As the international effort to stop the flow of illegal drugs increases, what are the implications and effects of these efforts in Burma--the major source of opiates in the heroin trade? Specifically, what counter-narcotics policy should the United States adopt, and how will these policies affect Burma's political, economic, and social situation?

The bleak picture in Burma today is the result of a tangled web of complex problems and indifference, which, over the years, has allowed the roots of a corrupt, misguided government to wreak havoc. The economic decay, political instability, and volatile security issues, which have confounded past counter-narcotics policies, spring from

decades of serious neglect, mismanagement, and feudal power struggles. Before discussing these issues, it is necessary to first examine Burma's historical legacy to lay the foundation for analysis; Chapter II will do that. Examining the violence of past relationships, and the present animosity expressed between ethnic rivals and the Burman majority, helps explain the lack of cooperation between ethnic insurgents and the comparative ineffectiveness of the various anti-government groups. Further, this assessment will also provide a basis from which the present day economic difficulties arise.

Chapter III will examine the reverberations the economic turmoil has caused to other aspects of Burma's otherwise unstable environment. Much of the political discontent among the populace is based on the poor performance of the government in the management of the economy. Why, for instance, with such vast resources, is Burma a pauper among nations? What policy decisions led to this distinction? What changes or reforms must the government initiate to allow Burma to advance?

Chapter IV will discuss the political unrest that has swept Burma since independence. The events which have led to the violence of today, and which will confound Burma's progress in the future if allowed to continue unchecked. The various parties involved will be considered for their part in destabilizing Burma, or their potential to eliminate the

instability in the future. Finally, what impact has this pandemonium had on the opium industry, if any?

Chapter V will discuss the narcotics industry--this, of course, is central to the thesis. How did the industry become so entrenched in the region? Who were the powers that made its success possible, and under what conditions did its growth thrive. Poppy cultivation, the various stages required in the refining process, and distribution of the heroin to the flourishing world market will be discussed to give perspective to the industry. Essential to this portion of the thesis is an understanding of who is involved and who controls the industry, and, specifically, their motivations for their involvement. Additionally, there are powers in Burma and the region with an interest in seeing the opium industry continue to prosper. Who are they, and what do they want?

Chapter VI will examine the Burmese Government's efforts to eliminate the production of opium within its borders, and to what extent their efforts have been able to claim success. In addition, other issues and areas, seen by the government as more pressing, will be discussed. What is their agenda, and what strategy have they adopted see their ambitions to fruition? What financial means of support have they secured, and does this factor have any significant impact on domestic affairs? Finally, given the brutality of the regime and its misguided application of power, what are the chances for success in its quest to bring peace to Burma.



Chapter VII will discuss the effect Burma has had, and is having, on its neighbors and other international actors. Has the Burmese Government received support from abroad; what has been the general response from the international community?

Building on this discussion, Chapter VIII will speculate on Burma's future. Considering the State Law and Order Restoration Council's (SLORC) lack of concern for human rights, their total disregard of the outcome from the democratic elections held in 1990, and their singular ambition of retaining power for the foreseeable future, what is the outlook for Burma? How much longer can the SLORC hang on? How much more can the people take? What will be the catalyst for another popular revolt? Or, will the military become strong enough to overcome, by force or reform, all of the obstacles and opposition it faces in Burma today?

Finally, the last chapter examines past U.S. counter-narcotics policy indicating its short-comings, and its potential as a foundation on which to build a successful future program. What can the U.S. do in the future which will avoid the same impediments as our past program. Should the U.S. counter-narcotics program work hand-in-hand with the SLORC's efforts to control narcotics production? Or, in light of their repression and brutality, should the U.S. take steps to "help changes take place" in this unstable environment? If the U.S. is to help these changes, what steps should Washington take, and how far should the U.S. go? What

are the possible repercussions of these actions for Burma, and for the region? Finally, what steps are being taken by the world community as a whole? Are those steps in concert with our own policy towards Burma?

## II. HISTORY: A BASIS FOR CHAOS

This chapter will give a brief summary of Burma's turbulent past, to help the reader visualize the historical malice between the ethnic minorities and the Burman majority. The colonial past points to contradicting loyalties, which has been the foundation of many current misunderstandings and conflicts. Upon gaining independence, Burma faced new problems, which were dealt with, initially with honor and fairness, later, with treachery and deceit--again to form the basis for unrest and civil war. Each page of Burma's past adds to the list of transgressions which have led to today's unstable situation.

The culture of the Burmans, who entered central Burma before the ninth century, contains elements of the ancient Pyu civilization they absorbed and the sophisticated Buddhist culture of the Mon kingdom they conquered. Burman kings ruled for approximately one thousand years, a period marked by cycles of power-dispersal and consolidation under various "min laung", or charismatic savior-kings, who built royal temples and forged symbolic links with heroes of the past dynasties to legitimize their rule. The Burman monarch did not even attempt to provide the country's highly autonomous minority groups with direct leadership. These groups--which ranged from the Shans in the eastern hills, with their Buddhist

culture and system of tribal chieftains, to the animistic Karens, to the head-hunting Naga tribesmen along India's border--lived for the most part outside a horseshoe-shaped range of mountains that encircles the plains of central Burma, where the Burmans settled. This natural buffer enabled the ethnic groups to continue their traditional ways while acknowledging Burman suzerainty.<sup>5</sup>

Britain's abolition of the Burmese monarchy in 1885 exacerbated latent tensions between the Burmans and the minority groups, which increased with the advent of Burman-led nationalism. The Christian colonials also dispatched the Buddhist hierarchy, encouraging Burman nationals to equate Buddhism--and, later, socialist ideas--with nationalism, and Christianity with colonialism and capitalism. Since the 1930's Buddhism, socialism and nationalism have been intertwined, with Marxist concepts easily translated into Buddhist terms.<sup>6</sup>

Anti-colonial sentiments began to spread through Burma in the mid-1930's, and foreign military aid was sought by a few nationalists. The assistance was found in Japan, which was preparing for the coming war in the Pacific. A group of thirty Burmese arrived in Japan to begin military training and indoctrination. When the Japanese invaded Burma in 1942 the

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<sup>5</sup> Maureen Aung-Thwin, "Burmese Days", Foreign Affairs (Spring 1989), 145-146.

<sup>6</sup> IBID., 146.



"Thirty Comrades" were included in the 'liberation' of their country. Loyalties were slit along ethnic lines, as the Burman population sided with the Axis, while most of the ethnic minorities remained loyal to the British and the Allied forces.

Soon, however, the Burmese became disillusioned with Japanese-style independence; the Thirty Comrades split into two camps. One group, led by Aung San, contacted the Allies, and in March 1945, turned against the Japanese. The other group remained loyal to the Axis, and only joined with the Allies when it was clear the Japanese were defeated.

In 1947, following the bitter colonial experience and the devastation of World War II, Aung San, the charismatic young Burman independence leader emerged from the war as the country's de facto leader; he is considered by most as the father of modern Burma. Aung San was able to convince all but one of the major ethnic groups--the Karen--to sign the historic Panglong Agreement, by which they promised to join a union with the majority Burmans.<sup>7</sup>

The new nation, however, was instantly christened in chaos that almost shattered it. A series of traumas that befell Burma between 1947 and into 1949 continue to haunt the nation: the assassination in 1947 of Aung San, who was expected to be Burma's first head of state; the launching of

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<sup>7</sup> IBID.

Southeast Asia's longest running Marxist insurgency by the Burmese communists, who had been political mentors of Burma's pre-independence nationalist movement; and the beginning of armed rebellions by factions of Karen and Mon ethnic groups, who lacked faith in the autonomy guaranteed in Burma's first constitution of 1947.<sup>8</sup>

Burma remained a parliamentary democracy for a decade, and though the first constitution was written to allow some groups to consider secession after a period of ten years, communist and ethnic insurgencies--insurgencies will be discussed later in this thesis--continually threatened national unity. In 1948, the governing party was the Anti-Fascist People's Freedom League (AFPFL)--which led a revolt in the closing days of WWII and helped Burma gain its independence. Although it held an overwhelming majority of seats in the legislator, the AFPFL was faced with serious rivals, both in and outside of Burma. Factionalism within the governing Anti-Fascist People's Freedom League (AFPFL) forced Prime Minister U Nu to resign in 1958, in favor of a caretaker regime headed by General Ne Win, Aung San's former military subordinate and commander in chief of the armed forces. Although U Nu was reelected to the prime minister's office in 1960, political division soon recurred. U Nu pledged that his government would restore public confidence in

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<sup>8</sup> IBID., 147.

democratic processes and foster racial harmony. Internal troubles within his party, together with increased demands by the Shans and the Kachins for greater autonomy and the looming right of secession, prevented the government from accomplishing these goals.

Prime Minister U Nu invited leaders of the minority groups to help work out a solution to the country's political instability. Before the meeting could get under way, Ne Win, assuming the symbolic role of one of Burma's savior-kings, ended civilian government, under the pretext that the impending federal conference on secession might break up the union.<sup>9</sup> All members of the government were arrested along with key leaders of minority groups. The Constitution was set aside and a self-appointed Revolutionary Council began to rule by decree.<sup>10</sup>

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<sup>9</sup> David I. Steinburg, Burma's Road to Development: Growth and Ideology Under Military Rule (Boulder, Colo.: Westview Press, 1981) 110.

<sup>10</sup> Josef Silverstein, "From a Political to an Administrative State, 1948-1988: Whatever Happened to Democracy?", Independent Burma at Forty Years: Six Assessments (Ithaca, N.Y.: Southeast Asia Program, Cornell University Press, 1989) 14.

### III. THE BURMESE WAY

#### A. BLUEPRINT FOR DEVELOPMENT

The coup and the subsequent publication of the new government's economic policy document, "The Burmese Way to Socialism", signified a turning-point in Burma's post-WWII economic growth. The Burmese Way to Socialism outlined the military Government's commitment to the establishment of a 'socialist democratic state'. This was to be the blueprint for action to restructure the economy and political institutions in line with "socialism". The four principal objectives of the Government's economic policy were: (1) the elimination of foreign control of the economy; (2) a reduction in the country's dependence on foreign markets; (3) a restructuring of the economy away from its dependence on primary production towards a more balanced industrial condition; and, finally, (4) the centralization of economic power in the hands of the state, in order to reduce the power of the private market.<sup>11</sup> These objectives were to be realized through the nationalization of all vital means of production, including those in agriculture, industry, commerce, transportation, communications, and external trade. Ownership of the means of production was to be vested either

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<sup>11</sup> Shwe Lu Maung, Burma: Nationalism and Ideology (Dhaka: Dhaka University Press, 1998) 53-55.



in the state, or in cooperatives or unions. While the important role of agriculture in the economy was recognized, priority was given to the development of industry and the improvement of social services.

The military government's ideology, defined as the "Burmese Way to Socialism", induced economic decline and saw the country retreat into a state of self-imposed isolation. Ne Win's party published its vague philosophy under the title of "Correlation of Man and His Environment". The concept is Buddhist in origin and accepts the relationship of mind over matter.<sup>12</sup>

Although the party philosophy did not emphasize class struggle, its ultimate goal was an exploitation-free society. It said, "When all forms of suffering have been eliminated, society will be free of all earthly suffering, such as suffering due to poor living conditions, or lack of food and inability to practice the Precepts."<sup>13</sup> However profound, the philosophy failed to give and explain the ways and means by which the idealized exploitation-free society would be achieved. As he declared in his after-coup--"victory"--speech, General Ne Win was committed to lead Burma into socialism, which was the desire of General Aung San.

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<sup>12</sup> IBID., 53-54.

<sup>13</sup> IBID.

## B. ECONOMIC STAGNATION IN THE 60'S

In 1962 the Government abolished private trade in paddy rice, and extended government control over the procurement and export of other major agricultural exports. The new Government, while reinforcing its claim to ownership of agricultural land that had been nationalized in 1948, also endeavored to eliminate landlordism and private agricultural debt by introducing the 'Peasants Rights Protection Law' and the 'Land Tenancy Act' in 1963.<sup>14</sup> This was followed by the gradual nationalization of all wholesale and retail trade, a restriction on the sale of essential commodities to new 'Peoples Shops', and the nationalization of all banks. In all, some 15,000 private firms involved in the manufacturing and trade sectors were acquired.<sup>15</sup>

Initially, these reforms produced some benefits, especially to the rural population. The elimination of debt resulted in a more equitable distribution of income, while access to basic social services, including health and education, improved significantly. However, the emphasis on industry and the provision of social services resulted in the neglect of the country's three major productive sectors, agriculture, forestry, and mining, which were crucial to long-

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<sup>14</sup> IBID., 73.

<sup>15</sup> IBID., 58.

term economic growth and to the raising of living standards for the bulk of the population.

In 1963 he formed the Burmese Socialist Programme Party (BSPP) which would be the vanguard of his ideology. He started with a nucleus of hard-core cadres, forming the basic foundation of his loyal support, which was, and still is, the army.

Ne Win and his party undertook a series of socialistic measures. His aim to establish self-sufficiency and autarky in every sphere of economy and politics was appreciated and applauded by the people, but every attempt at development failed. In the attempt to remain independent of foreign exploitation, Ne Win's Burma became totally xenophobic and isolated--partly this is a result of very strong anti-colonial sentiment which developed under British rule.<sup>16</sup> The government usurped the freedom of private enterprise by totally nationalizing trade, industry, resource development and banking, creating a giant superstructure of twenty-two inefficient and mismanaged state corporations and enterprises. By 1985 Burma had become one of the ten poorest nations in the world.<sup>17</sup>

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<sup>16</sup> Josef Silverstein, "1948 and Burma's Myth of Independence", Independent Burma at Forty Years (Ithaca, N.Y.: Cornell University Press, 1989) 27.

<sup>17</sup> Mya Maung, *IBID.*, 604.

As the national economy plunged, the day-to-day life of the people became a struggle. Under the 'Burmese Way to Socialism', the trading and economic institutions were reorganized into 22 People's Corporations, which were also called State Economic Enterprises (SEE). Practically all Cabinet posts and heads of the SEEs were filled by military personnel who had Ne Win's confidence. This was understandable from a political perspective because the practice had always been widespread--U Nu also had appointed those he could trust to important positions of power. While at least some of U Nu's appointees had administrative experience in running the country, Ne Win's military appointees had little, or no experience. Some of the military personnel learned their jobs, but as soon as they were trained they were either moved to a new position or removed for political reasons. Important civilian posts were used as a reward for deserving military personnel. Many of the military personnel in these positions felt they could ignore the advice of technocrats or civilian experts and often made decisions based on what they saw as "socialist principles" instead of pragmatism.

Soon after the creation of the SEEs, an additional one--People's Corporation 23--emerged under the supervision of the private entrepreneurs--the Black Market. The black market has served Burma so well the military and government officials used it to supplement their own incomes. Special military

stores allow military personnel to buy scarce imported goods at low, government-subsidized prices, based on the official exchange rate--approximately 6.2 kyat to the dollar--and then resell the goods on the black market at a hefty profit--the black market exchange rate has recently been as high as 75-80 kyat to the dollar.<sup>18</sup>

The Government also failed to build upon the foundations of its agrarian reform program. A policy that kept procurement prices for paddy low resulted in unfavorable terms of trade for agricultural products. The policy was regarded as a means of keeping down costs down and prices stable, as well as an incentive to industrial growth. It was also regarded as a means by which the Government could raise revenue, since the profits from the sale of rice on export markets were a primary source of government revenue at this time. Yet with agricultural production effectively in private hands, this policy undermined efforts to increase production as well as the Government's own procurement efforts.

Disruptions in marketing also followed the nationalization of the paddy trade. During the first decade of military rule, both the hectarage under paddy and paddy yields grew slowly. As a result, the growth in production failed to keep pace with the growth of the population. With

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<sup>18</sup> David Steinburg, "Democracy, Power, and the Economy in Myanmar", Asian Survey, VOL.XXXI, NO. 8 (August 1991) 738. The official exchange rate is also listed in several publications, including The Far Eastern Economic Review.



the Government giving priority to ensuring an adequate food supply at home, exports inevitably suffered. Rice exports, which totalled some 1.84m. tons in 1961-1962, declined to only 0.65m. tons in 1970-1971.<sup>19</sup> The production and export of other primary products, which, together with rice, accounted for over 80% of export earnings in 1970, also declined dramatically in subsequent years, producing a severe shortage of foreign exchange.<sup>20</sup>

The industrial sector similarly failed to perform well, although it was given priority in terms of resource allocation. While the industrial sector received increasing share of total public investment throughout this period. The Government continued to invest in new plant, despite the inefficient utilization of existing plant.<sup>21</sup> Industrial output also suffered from serious administrative problems, caused by the lack of expertise within the public sector. Growth in the state sector was insufficient to compensate for the decline in the private sector; shortages developed and rationing became routine. In fact, the only sector of the economy to consistently expand was the ever present black market.

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<sup>19</sup> World Bank, IBID.

<sup>20</sup> IBID.

<sup>21</sup> IBID.

Burma's GDP per capita increased by only 2.7% during the first decade of military rule. The improvement of social services and the reduction of foreign influence and control over the economy were the major policy achievements of this period.<sup>22</sup> Nonetheless, poverty remained widespread.

Although some objectives of the political agenda and social program were achieved, for the most part the policy failed; the economy remained stagnant during the next decade. While overall paddy (rice) production increased, the per capita paddy production decreased. This resulted in rice riots and escalating consumer prices in 1967. During this period, political opposition mounted while the economy adjusted by producing a huge black market. Government investment was insufficient to replace foreign contribution and declining private investment. This forced the government to change some of its policies, practices, and institutional structures; the next economic plan was introduced--a new twenty-year development plan was adopted by the BSPP.

### C. MULTI-YEAR ECONOMIC PLANNING

In 1972, when the BSPP outlined their major economic reforms, they had in mind a frame work of a 20-year plan. The new plan shifted the emphasis to the agricultural sector, giving it priority over the industrial sector, and recognized

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<sup>22</sup> IBID.

the role of the private sector in economic development. It also acknowledged the need for foreign assistance and developmental aid. A bonus system was introduced in the State Economic Enterprises (SEE), and incentives were given to farmers in the form of inputs to stimulate individual efforts to improve efficiency and productivity.

This represented the country's first real attempt at long-range planning, and provided only broad guidelines with respect to goals and priorities: it was to be divided up into five four-year plans. The first of these, carried over from the period before the announcement of the policy reforms, was cut short in March of 1974, to make room for the next four-year plan. Economic performance improved as the new policies began to take effect. This was especially true under the third plan (1978-1982), when GDP increased by 6.6% per year.<sup>23</sup> Much of the success of the third plan was attributable to the rapid growth of the agricultural sector as a result of the introduction of some high-yield varieties, and favorable weather. Paddy production increased by 65% under the third plan, while the agricultural sector as a whole grew at an annual rate of 8.6%.<sup>24</sup> However, as the world prices for rice began to fall around 1983, the economy, dependent

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<sup>23</sup> IBID.

<sup>24</sup> Rodney Tasker, "Creaking to a Halt: A Mismanaged Economy has to Depend on Foreign Dole", Far Eastern Economic Review (7 July 1988).

primarily on paddy, began to deteriorate--despite its vast, untapped resources and undeveloped agricultural potential--ultimately collapsing in the mid-1980s.

The GDP growth rate under the fourth plan (1982-1986) was 5.5% per year, falling short of the target of 6.2%.<sup>25</sup> The performance of the agricultural sector, which contributed almost 30% of GDP in 1986, was a major factor influencing the outcome of the fourth plan, since the sector grew at only 4.7% during the plan period.<sup>26</sup> However, growth was also affected by a widening trade deficit, resulting from lower export earnings, and by a significant increase in debt-service repayments, which caused a severe shortage of foreign exchange. Declining exports and rising imports forced the government to borrow from external sources; foreign debt rose from US\$1 billion in 1979 to more than US\$4 billion in 1988/89.

Measures were introduced to cut imports and to reduce the public-sector deficit. Public-sector investment, which accounts for some 80% of total investment, declined during each of the four years of the plan.<sup>27</sup> To alleviate this problem, in 1986 the government applied to the United Nations for "Least Developed Country" (LDC) status, which was granted

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<sup>25</sup> IBID.

<sup>26</sup> IBID.

<sup>27</sup> David Steinburg, Burma's Road to Development.

in December 1987. This move by the government was designed to secure more foreign aid and to reschedule the country's external debt repayments.

The draft of the fifth plan (1986/87-1989/90), was based on an aggressive target growth rate of 6.1%.<sup>28</sup> This was higher than the rate achieved under the fourth plan, and given the poor prospects of the external economy, the target was later revised downwards to a more realistic 4.5%. As the country's economic problems intensified, even this lower target was not achieved. As originally drafted, the fifth plan continued to stress economic self-sufficiency, but also allowed for some increased foreign participation where it was considered 'mutually beneficial'.

The government initiated a program of economic reforms, similar to those agreed to by the BSPP, which represented the effective abandonment of the precepts of the "Burmese Way to Socialism". In October 1988 the state monopoly on internal and external trade was removed from all goods except teak, petroleum, natural gas, pearls, and gems--the most lucrative and profitable commodities. This was followed by the publication, in November, of a seemingly very liberal foreign investment law; prior to which, foreign investment had not been allowed. The economic reforms of 1988 represent the complete abandonment of the policy of self-sufficiency and

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<sup>28</sup> IBID.



adoption of a completely 'open-door policy' on foreign investment, which is now seen as crucial for economic recovery and development.

Under the Foreign Investment Law published in 1988, 100% foreign-owned companies were allowed in certain sectors, in addition to joint ventures where foreign capital had to form at least 35% of the total capital. The Law also offered exemption from tax for at least three years and a range of other incentives, as well as guarantees against nationalization. In seeking foreign investment, priority was to be given to the promotion and expansion of exports, the exploitation of natural resources requiring large investment, the acquisition of advanced technology, employment generation, energy conservation and development. By 1990 the Government had some success in attracting foreign investment, particularly into the energy sector. However, Burma's ability to absorb a major inflow of foreign investment was limited in the short term, most notably by its poor infrastructure, inefficient banking sector and shortages of skilled labor.

Throughout the years, the often extreme government actions--declaring legal tender worthless without compensation, banning certain occupations, and prohibiting private trade in rice (the country's main commodity)--frequently disrupted economic and social life. Gradually, smuggling came to account for most of the economic activity in

the country.<sup>29</sup> While private-sector initiative was stifled, the military-dominated state system became progressively less productive. Promotion within the bureaucracy has been based on political loyalty rather than ability, the civil service became increasingly incompetent.<sup>30</sup>

Burma is now faced with the difficult transition towards a more open economy. While the potential impact of the current reforms in the medium and long-term is likely to be significant, the short-term impact will be limited by the slow pace of political reforms. Apart from encouraging the resumption of Western aid, political reforms will also be necessary to ensure the confidence of domestic entrepreneurs. With an estimated per capita income of below U.S.\$200, Burma is one of the poorest countries in the world.<sup>31</sup>

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<sup>29</sup> Helen E. White, "Piecemeal Burma Reforms Fail to Revive the Economy", Asian Wall Street Journal Weekly (20 August 1990) 16.

<sup>30</sup> IBID.

<sup>31</sup> IBID.

#### IV. POLITICAL UNREST

##### A. ONE-PARTY RULE

The country was renamed the Socialist Republic of the Union of Burma, on 3 January 1974, after a new constitution had been proclaimed. U Ne Win resigned as president in 1981, but remained chairman of the BSPP. The government suppressed the peoples' freedom to express, dissent, and gather against the state by abolishing all political parties and instituted a single party system--"for greater internal stability".

Political power was nominally vested in the Central Committee whose members were not selected according to their abilities or by the will of the people, but according to their loyalty and absolute submission to the whims of the dictator. For instance, at the Third Party Congress of the BSPP in 1977, Ne Win came in third in the elections for the presidency. The results were not honored; he quickly installed himself as president and dissolved the entire Central Committee."

Ne Win has succeeded in sustaining his dictatorship for over a quarter-century by annihilating all potential contenders to his political throne--real or imagined. The loyalty he has been able to muster has been achieved by a combination of "carrot and stick". Four factors have been

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Mya Maung, IBID, 606.

crucial for the durability of the army rule in Burma; (1) they are ruthless in dealing with the civilian opposition; (2) they control an omnipresent and highly effective intelligence apparatus; (3) promotion is based on loyalty rather than competence; and, (4) an abundance of privileges are provided to those who remain loyal.<sup>33</sup>

#### B. DEMOCRACY MOVEMENT/CRACKDOWN

Deteriorating economic conditions helped prompt nationwide demonstrations in 1988 calling for a democratic government and an end to Ne Win's dictatorial rule. Ne Win resigned from all official posts in the summer of that year, amid growing pressure from the people for him to step down.

General Saw Maung, the head of the ruling military committee and the new Prime Minister, brutally cleared the streets of protesters. His lackluster team of Ne Win loyalists was determined not to flee Burma or to allow his reputation and political legacy to meet defeat. Officially in retirement since he "stepped down" in mid-July, Ne Win nevertheless was the final arbiter for the close-knit circle of loyalists in the cabinet and the BSPP charged with the day-to-day management of the crisis. When efforts to appease protesters failed, Ne Win turned to his Armed Forces Chief of Staff, Saw Maung, to usher in a "new order".

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<sup>33</sup> Bertil Lintner, "Class Distinctions", Far Eastern Economic Review (6 December 1990) 28.

The takeover was designed to create the impression of a break with the discredited socialist old regime. Government bodies and laws favoring the BSPP were abolished, the country's pre-1974 name, "Union of Burma" was restored, and the military, en masse, resigned from the party--as directed by General Saw Maung. The military rule, however, was merely a screen behind which Ne Win and his inner circle would continue to direct events.

After the junta seized power in September 1988, it lost control of the situation killing thousands of unarmed protestors. Stating that he believed he had saved the country from chaos, General Saw Maung moved quickly to distance the "new" government from Ne Win's BSPP, and formed the State Law and Order Restoration Council (SLORC)--the same ruling body under a different name.

The survival of the military regime in Burma is one of the surprises of current politics in Southeast Asia, especially after the massive popular protests that swept the country from March to September 1988. Hopes had risen that General Ne Win--still pulling the strings of power from behind the scenes--and his obstinate successors might bow out to an elected civilian government.

Tensions continued to mount between the SLORC and opposition groups; the SLORC established military tribunals to try persons violating its martial law regulations--such as failing to observe curfew or participating in gatherings of



more than four people. The minimum sentence that the tribunals could impose was three years' imprisonment, and the maximum was the death penalty. After the passing of the death sentence, all that was required before execution was the approval of the local military commander. It is estimated that at the end of 1990 over 400 active members of the National League for Democracy (NLD) were under detention--an unknown number had been executed.

To appease the mass discontent, the SLORC promised to hold "free and fair" elections for a new parliament, which would draft a new constitution. No date was initially given for the elections, and many opposition leaders viewed the announcement as a ploy to quell the unrest.

Despite the illusions of the SLORC, one by one, opposition political leaders who had become prominent following the countrywide, anti-government demonstrations disappeared from public life. The SLORC had detained the two main opposition leaders Tin U and Aung San Suu Kyi--respectively chairman and general secretary of the NLD--in July of 1989. On 29 December the SLORC placed another outspoken critic of the regime, former prime minister U Nu--and twelve of his associates--under house arrest.<sup>34</sup> On 16 January 1990, Aung San Suu Kyi, still under house arrest, was barred from standing in the elections on the grounds of her

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<sup>34</sup> Bertil Lintner, "The Election Charade", Far Eastern Economic Review (18 January 1990) 15.

alleged links with "insurgent groups"--seen as a reference to dissident student fugitives based along the Thai border.<sup>35</sup>

The elections were indeed held on 27 May 1990, and appeared to reflect the SLORC's belief that its year-long campaign against the opposition NLD had been effective. If so, it represented an extraordinary underestimation of the degree of animosity which still existed toward the military by the people. The astonishing degree of openness permitted by the SLORC during the pre-election campaign period, vividly contrasting with the previous months of repression, severely restricted campaigning and harassment of candidates and political activists, indicated the extent of the military's delusions.

Whether despite or because of these measures, more than 70% of the electorate went to the polls on election day. The outcome was an astonishing victory for the NLD, which captured 392 of the 485 seats contested in the election. The rest of the seats went to NLD allies from various minority areas, save 10 seats, which went to the military-backed National Unity Party (NUP) an offshoot of the BSPP.<sup>36</sup>

The SLORC appeared utterly unprepared for an NLD victory. After waiting about a month the SLORC struck back, stating the election was not to elect a new parliament, but to elect a

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<sup>35</sup> IBID.

<sup>36</sup> Rodney Tasker, "Military Manoeuvres", Far Eastern Economic Review (12 July 1990) 10-11.

"constituent assembly". The assembly would have only the power vested to draft a new constitution, which had to be ratified by the SLORC upon completion.<sup>37</sup> According to Khin Nyunt, Directorate of the Defence Services Intelligence (DDSI), "A political party does not automatically have the three sovereign powers of the legislative, administrative, and judicial powers by the emergence of a Pyithu Hluttaw [parliament]. Only the SLORC has the right to legislative power. Drafting an interim constitution to obtain state power and to form a government will not be accepted. Effective action will be taken by the SLORC, according to the law." Khin Nyunt is believed by many to brandish the real power in the country.<sup>38</sup>

Growing frustrations with the military's refusal to honor the outcome of the election finally led to renewed street demonstrations and violence. The SLORC seized the opportunity and accused the NLD of instigating unrest. Using this as a pretext, the SLORC acted to crush all remaining opposition to its rule. Taking advantage of the distraction provided by the events in the Persian Gulf War, the SLORC arrested most of the few remaining opposition figures, banned some political

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<sup>37</sup> Burma, "Asia 1991 Yearbook", Far Eastern Economic Review, 86.

<sup>38</sup> IBID.

parties, and mixed repression with vague promises of a possible liberalization in the future.<sup>39</sup>

An editorial in the government-controlled "Working Peoples Daily" on 8 February 1991 made the surprising promise that the SLORC would relinquish power after approving a new constitution drawn up by political and other representatives. But the newspaper failed to indicate how, or to whom, the transfer would be made.<sup>40</sup> In the meantime, the government continues to harass potential opponents while bribing others to toe the line.

Army hard-liners have further consolidated their grip on power, despite the general elections in May 1990, by ruling out a transition to civilian rule and closing the door to negotiations with the opposition. Even the prospect of an unofficial power-sharing agreement, between military and civilian elites faded by the end of 1990. Throughout 1991 the SLORC continued to rule Burma with a "firm" hand.

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<sup>39</sup> Bertil Lintner, "Bans and Bribes", Far Eastern Economic Review (21 February 1991).

<sup>40</sup> IBID.

## V. INSURGENCIES:

### A. CIVIL WAR

The civil war in Burma has raged for almost 44 years. Burma, in effect, is a divided country where rebels have held much of the countryside and government troops were more or less confined to major towns and the roads running between them.

The major threat came from the communists, who went into revolt three months after independence. The People's Volunteer Organization (PVO), a mainstay in the AFPFL, split and a majority followed the communists. In 1949 the Karen National Defence Organization (KNDO) rebelled. Despite the preponderance of opposition, the government did not collapse, mainly because the rebels fought each other as well as government forces. The leadership of U Nu united the people in support of the government, and by 1951 the armed forces had regained control of much of the countryside<sup>41</sup>--this was due more to a lack of regional support for the rebel groups, than a military superiority of the government forces.

With a restless population and some 20 insurgency movements throughout the border regions, the military has been hard-pressed to devote the few resources it has to fighting a

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<sup>41</sup> John F. Cady, The United States And Burma (Cambridge: Harvard University Press, 1976) 190-196.



drug war. Instead, it has focused its assets on eliminating the most troublesome insurgencies. For most of the past four decades, in fact, Rangoon has been trying to gain control of the northern and eastern provinces where the opium trade flourishes. However, because the insurgencies have been strong enough in the past to force a stalemate throughout much of the hill country, government forces control only the most easily accessible real estate.

Many of Burma's insurgencies are based on centuries of animosity between ethnic Burmese and the various minority groups, which make up about 1/3 of the country's total population. Relations between Burmans and minorities worsened after Burma became independent in 1948 and the Burman-dominated central government attempted to increase control over traditionally autonomous minority areas. The minority populations responded with a heightened sense of a separate and distinct identity and a desire for political independence. This, in turn, led to military confrontations between the Burmese Army and the more than 20 insurgent groups organized within the ethnic populations.<sup>42</sup>

Britain's colonial practice of "divide and rule" kept the ethnic populations separate from the majority Burman population. The British arrangements reflected the traditional administrative structure of the old Burmese

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<sup>42</sup> Bertil Lintner, "An Insurgency Who's Who", Far Eastern Economic Review (28 May 1987), 48-49.

kingdoms. The minority areas had always been subject to the Burmese court. However, they remained largely independent, retaining their traditional rulers, languages, and cultures so long as they recognized the formal suzerainty of Burma's kings and paid tribute to them.

Before Burma could become an independent nation, its leaders had to unify the various administrative areas into a single functioning political entity; two approaches were taken by the nationalists. The first was that taken by Aung San, in which he offered the minorities a certain degree of autonomy in return for joining the Burmans in a political union and giving their loyalty to a central authority in Rangoon. This plan was widely accepted and probably would have succeeded, had Aung San not been assassinated in 1947.

The second approach has been championed by Ne Win, and several other top military leaders, which denied the existence of separate ethnic, cultural, and territorial divisions among the diverse peoples of Burma. They claimed this had simply been a ploy used by the British to divide the country. Along these lines, Ne Win and his supporters felt that autonomy for any minority group, however large, was a threat to national unity. Throughout Ne Win's 29 years of rule, the government's approach to the ethnic insurgency has been to try to suppress it by force of arms.

In 1947, the Shan State joined with Burma in order to receive independence from the British under the Panglong

Agreement. That agreement provided for the complete independence of Shan State in ten years (1957)--an event which did not take place. Comprising almost 40% of the Burma land mass, the region generates 80% of the nation's GNP.<sup>43</sup> Most other minority groups also signed the agreement, but later broke off relations as conditions worsened.

Ethnic groups like the Karen, the Kachin, the Arakanese, the Shan, and many others have long insisted on regional autonomy, or even independence, instead of living under Ne Win's rule. Most of them maintain their own armies, some of which number in the thousands of troops; the total number of armed insurgents is estimated at well over 25,000. Heavily armed and fiercely independent, often under the leadership of a charismatic warlord, groups such as the Kachin National Army (KNA), the Pa-o National Liberation Army (PNLA), the Wa National Army (WNA), the Karen National Liberation Army (KNLA) and dozens of others have in the past roamed the jungles with little fear of interference by government forces. While they all claim they are fighting for independence, later discussion will show that many are simply narcotics trafficking organizations.

The two largest ethnic insurgent groups are the Karen National Union and the Kachin Independence Organization. The Karen began their struggle in 1949. The Mons and the Karennis

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<sup>43</sup> David Steinburg, Burma's Road to Development, 140-155.

went into rebellion at about the same time. The Communist Party of Burma (CPB) also took up arms against the government shortly after independence--except for a brief alliance with Rangoon against the Karen in the late 1940's. The Shan followed in 1958. The Kachin, however, tried to work out their differences peacefully, without arms; but after years of frustrating negotiations, which accomplished little, they too went into revolt.

While the Shan are one of the largest ethnic populations, their resistance effort remains divided among many smaller competing factions. Furthermore, from 1958 onwards, Karen and Kachin troops fighting the Rangoon government, though originally joining the Shan in rebellion, soon retreated to and came to dominate the Shan territory. This forced the Shan people to flee deeper into the jungles and mountains of the interior of Shan state.

Involvement of CIA affiliated groups in the narcotics trade began to escalate rapidly in the 1960's when the opium production of Laotian and Shan peasants was greatly increased with the assistance of the CIA. Transportation for the processed opium and heroin was allegedly provided by Air America--which, in the 1970's was exposed as a CIA front organization. Profits from the operations are thought to have been used to finance recruitment and training of mercenary armies, covert operations, and for support of operations carried out against China. In the secret war in Laos, and the

Vietnam conflict Air America was again used for the same purposes, which filtered over into Burma.<sup>44</sup>

In 1976, ten insurgent groups, including the Karen and the Kachin, formed a loose coalition known as the National Democratic Front to better coordinate action against the central government. Initial demands, calling for independent countries, were set aside, and the coalition now seeks a federated, democratic Burma, with special protection for minority rights.<sup>45</sup> In 1987, the minorities gave up their demands for separation in favor of a return to a modified version of the old federal constitution.

Funding for these regional armies comes from a variety of sources; however, the primary source by far is from smuggling. If not directly involved in smuggling drugs, a group will tax all goods transiting their domain. Teak, rice, gold, rubies, jade, antiquities, and tungsten are all sneaked over the border into Thailand, China, and India to trade for weapons, hard-to-get consumer goods, or hard currency. The biggest money-maker of them all is heroin.

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<sup>44</sup> Testimony of Lt. Col. James "Bo" Gritz, U.S. Army, (Ret.), U.S. Narcotics Control Efforts In Southeast Asia, Hearing before the Committee on Foreign Affairs, 100th Congress, 1st session, June 30 and July 15, 1987. (Washington D.C.: U.S. Government Printing Office, 1988), 3-9.

<sup>45</sup> Bertil Lintner, "War in the North: Communist and Kachin-led Rebels Forge Military Alliance", Far Eastern Economic Review (28 May 1987), 47-58.



A better comprehension of the insurgents' motives would be beneficial in understanding the ongoing civil war and its complexities. The Karen will be examined first; theirs is the longest running revolt as well as the most violent. The next group discussed will be the Kachin; they are the most organized and best equipped. Other groups that will be discussed include the Shan and the Nagas--the discussion will be limited to a few of the better known ethnic insurgencies. The largest non-ethnic, ideologically-based insurgency in Burma had been the Communist Party of Burma (CPB). While the CPB was heavily involved in trafficking, it is more suitable to discuss the movement as an insurgency because its primary focus was anti-government and turned to trafficking much later in their brief history.

Other major influences in the decades-long civil war were the Kuomindong (KMT) and other trafficking organizations opposed to Burma's central government. Although central to the conflict, they will be addressed more appropriately in the chapter dealing directly with the opium trade.

## **B. THE KAREN**

The Karen, are thought to have originated in the Gobi Desert, and migrated to Burma around the 8th century B.C., occupying its central region. Successive waves of Mon and, eventually, Burman invaders pushed the Karen into the delta region and the mountains in the southeast region of Burma.

There they remained, subject to Burmese domination until the British arrived in the 19th century.

The British found the Karen to be intensely loyal and fierce fighters, and enlisted their support to maintain order throughout the Burmese province--during the pre-independence era. A Burman revolt against the British in the 1930's was put down by Karen troops, which caused additional friction between the two groups that have yet to come to terms.

During WWII, the Karen loyally served with British guerrilla forces in Burma, fighting against the Japanese and the anti-colonial Burmese forces. However, in their haste to decolonize after the war, the British forgot their promises of autonomy made to the Karen, focusing instead on passing control of the country to the ethnic Burman majority.

The Karen, still armed from the war, began a military campaign for autonomy in 1949. In a short period the Karen had pushed to the outskirts of Rangoon, laying siege to the capital. Desperate, the government forged a brief alliance with the CPB, whose guerrilla forces cut the Karen supply lines to the east of Rangoon. This forced the Karen to withdraw. During the following decade, the Karen forces withdrew into the mountains along the eastern border with Thailand. Pressure remained constant, yet tolerable after this, despite Ne Win's coup in 1962 and the subsequent implementation of his economic calamity, "The Burmese Way toward Socialism".

In 1985, however, the Burmese stepped up its operation against the KNLA, advancing deep into Karen territory, securing many border trading centers and gaining access to vast resources. By 1991, this advance had deprived the Karen of badly needed income from their lucrative cross-border trade with Thailand. The Karen, until recently, have been a self-supporting society unto themselves; harvesting their own natural resources--teak, antimony, lead, and tungsten comprise the bulk of their exports--for export to Thailand. The KNU--the political arm of the KNLA--is fiercely opposed to narcotics use or trafficking. They have never had to resort to the opium trade as a source of income; its use or any involvement in trafficking narcotics by any members of its organization, carries a stiff penalty of death.<sup>46</sup>

In recent months the Karen have taken their fight to the delta region; southwest of Rangoon. The move was seen by military analysts as a diversion for the latest government assault on their headquarters in Manerplaw. The move may have more long-term strategic merit besides reducing short-term pressures. When the military crushed the pro-democracy movement in 1988 many students and other anti-SLORC groups sought refuge along the Thai border, and, surprisingly, among the Karen--it was startling, because the Karen had been

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<sup>46</sup> Interview with Mr. Dale Scoggin, April 1991. Mr. Scoggin spent eight weeks with the KNU, while on assignment as photographer for a foreign journal, during August-September 1989.

thought of as 'anti-Burmese'. Their presence in this traditional rebel stronghold could, very well, spark another popular uprising against the SLORC.<sup>47</sup> The SLORC realizes this fact, and has refused to negotiate with the Karen to bring about a peaceful settlement to the civil war. Instead regime efforts have intensified to grind the Karen into submission.

### C. KACHIN

Located in the northern region of Burma, the Kachin were also very loyal to the British leadership. They too fought bravely with Allied forces against the Japanese during the war. After the war, the Kachin, like the Karen, were abandoned by the Allies to allow the Burmese rulers a chance to unite the country.

The Kachin did not take up arms against the government until 1961, although they did clash with the CPB prior to that. In that year, the Burmese parliament decided to establish buddhism as the official state religion of Burma--a move seen by the predominantly Christian Baptist hill tribes as an open provocation. The first stated purpose of the young Kachin nationalists was to oppose this decision and what they termed "Burman chauvinism" they believed it reflected.

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<sup>47</sup> Bertil Lintner, "Return to the Delta", Far Eastern Economic Review (14 November 1991) 26.

Around the same time, a second action took place which complicated matters further. Burma reached an accord with China to settle a border dispute. Burma turned over part of Kachin territory and several villages to China, in exchange for another piece of land near Namkham--not part of Kachin territory.<sup>48</sup> The failure of the central government to clarify the nature of the settlement, or to compensate the Kachin has been at the crux of the dispute ever since, driving many Kachin underground.

Following almost a decade of fighting, hostilities with the CPB ceased in 1976 when Brang Seng became the chairman of the Kachin Independence Organization (KIO), the political arm of the Kachin Independence Army (KIA). For the Kachins, the ceasefire with the CPB not only brought peace--at least on one front--but also a badly needed infusion of Chinese weapons. The KIA, as a result, was able to quickly expand their forces to over 5,000 men. Rangoon, however, turned the alliance into a political football, claiming the Kachin were now a communist organization.

Although the Kachin were at peace with the communists they did not change their ideology. Eschewing communist philosophy, they remained Christians, but were able to form a military alliance with the CPB, against the central government. Beijing saw an opportunity for revenge against

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<sup>48</sup> Bertil Lintner, Land of Jade (Hong Kong: White Lotus, 1990) 170.

the Burmese government for their part in instigating anti-Chinese riots in 1967--Ne Win tried to divert public anger from a severe rice shortage caused primarily by poor government planning and mismanagement--and was happy to provide logistic support of the KIA.

Under Brang Seng's leadership, separatism was abandoned in favor of regional autonomy instead. The KIO chairman instead pushed for a system of autonomy at several levels of government throughout Burma. This seems to be a well-planned, viable solution to the myriad of ethnic grievances, and one that has gained widespread approval among anti-government organizations. He was instrumental in organizing the National Democratic Front (NDF), and has pursued more cooperation between the ethnic insurgents and other anti-government rebel groups in dealing with the threat from the military.

The KIA has been able to fund its activities by smuggling and taxing the lucrative jade trade that flourishes in their territory. Although they do not condone its cultivation or its use, the Kachin do impose a tax on opium transiting its realm. Additional financial support is given by organizations in Taiwan, South Korea, Europe, and the United States.<sup>49</sup>

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<sup>49</sup> IBID., 141.



#### D. THE SHAN

In 1961, when the Shan National Army (SNA) was formed, U Ba Thein became its deputy commander. Unlike many of the minority leaders in the Golden Triangle, U Ba Thein was not a simple mercenary or drug lord. At the peak of his power in the mid-1960's, he was considered one of the most important men of the Shan independence movement. Most of his activities were designed to further the cause.<sup>50</sup> During the first year, operations were hampered by a severe lack of funds and arms. To alleviate the situation the SNA began to act as a go-between, trading opium-collected by other rebel groups--for modern weapons--from suppliers in Thailand and Laos. With more weapons in their possession the Shan rebels were able to exert more pressure to increase the quantity of opium collected from the local villages. More opium meant more weapons, which in turn meant more control and power. The cycle of two way smuggling of opium and arms allowed the SNA to push the Burmese out of the territory--except for a few main cities.

While opium was the main ingredient for its rapid growth and rise to power, it was also the catalyst for the demise of SNA military effectiveness and eventual collapse. There was enough opium in the region to provide enough arms and money to

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<sup>50</sup> Alfred McCoy, The Politics of Heroin (Brooklyn, N.Y.: Lawrence Hill Books, 1991) 343-345.

support several rebel armies and make their leaders very wealthy. Rebel commanders became preoccupied with protecting their territorial prerogatives and expanding their personal fiefs. Instead of sending troops into an adjoining area to launch a joint operation against the Burmese, a SNA commander kept his men on patrol inside his own domain to collect opium tax and keep others away. Adrian Cowell described the organization as, "... a group of independent warlords loosely tied into a weak federation with a president as a figurehead."<sup>51</sup>; therefore dismissing its effectiveness as an insurgent army because of the corruptive effect opium had upon its leadership and men.

By 1966 the SNA had dissolved into several opium trafficking groups; the largest of these became the Shan State Army (SSA). Repeated taxation by roving Shan warlords discouraged most forms of legitimate economic activity. Rather than producing an independent, unified Shan land, the Shan rebellion seemed to unleash an instability which allowed petty warlords to rule the countryside and impoverish the people. The most powerful warlord in the region until the late-1980's was Khun Sa--Khun Sa will be discussed in more detail later in this text.

As Khun Sa's control over the drug trade expanded, his opium adversaries collapsed. In 1986 Shan State Army remnants

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<sup>51</sup> IBID, 347-348.

criticized Khun Sa for running an opium army, conniving with the Burmese army, and assisting rebel leaders. Within months, however, these Shan nationalist leaders had allied with the CPB as their independent forces continued to decline in size.<sup>52</sup>

With the collapse of the CPB and government pledges to launch border development programs in the northern Shan state the SSA also collapsed as thousands of insurgents rallied behind the government forces. This action effectively ended the Shan rebellion--except for a relatively small force of several hundred soldiers.<sup>53</sup>

#### **E. COMMUNIST PARTY OF BURMA (CPB)**

Shortly after independence, the CPB broke off relations with Rangoon and entered into armed revolt. The Burmese army eventually pushed them back into the northern regions of Burma, where for the next two decades, they inflicted minor damage on Rangoon.

The CPB reestablished its bases on the Burma-China border in the early 1970's with Beijing's support and was rewarded with liberal arms shipments and financial support. This territory contained 80% of Burma's poppy growing region, but

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<sup>52</sup> Bertil Lintner, Far Eastern Economic Review (January 1, 1987).

<sup>53</sup> Bertil Lintner, "Triangular Ties, Far Eastern Economic Review (28 March 1991) 23.

the party discouraged the cultivation of opium in order to increase food crops.

The CPB initiated a crop substitution program and introduced several types of wheat and grain to the hill tribes. These efforts in crop substitution, though well intentioned, met with failure. Villagers had no idea how to prepare the wheat--cooking it instead as they did rice--many got sick. Additionally, a fluke of nature--the bamboo blossomed, which attracted millions of rats overwhelming the hill tribes by eating most of the wheat and spreading diseases--resulted in massive famine. The CPB again came to the rescue by paying the farmers for the lost revenue from their ill-fated crops with Indian rupees and opium.<sup>54</sup> In the late 1970's, however, the CPB leadership publicly criticized China's leader Deng Xiaoping, opting instead to support Mao Zedong. As Deng's influence increased in the ensuing years, China's shipments of arms to the CPB correspondingly declined, and Chinese 'volunteers' withdrew back to China.

With fewer arms to attract other rebel groups, the CPB sought revenues from opium trafficking and taxation of the black market trade between Burma and China.<sup>55</sup> By 1980 the CPB controlled the largest opium growing region in the Shan states and had diversified into heroin refining. By 1982

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<sup>54</sup> IBID., 266.

<sup>55</sup> Lintner, Land of Jade, 261.

however, its military expansion was slowed by its inability to procure arms.

The CPB explained this shift to opium trading as a response to economic pressures caused by withdrawal of support by its former patron the Chinese Communist Party. Officially, the CPB limited its involvement to collection of a 20% tax from opium farmers. But in reality, the party dominated the drug trade in its region by (1) collecting a 10% tax of local opium sales and a 5% tax on any exports from its territory; (2) transporting opium to the Thai-Burma border refineries operated by Khun Sa and the KMT; (3) taxing Chinese syndicate heroin refineries operating within its domain, and; (4) failing to discipline any CPB local commanders active in the trade.<sup>56</sup>

In 1985 the CPB announced a death penalty for cadre involved in heroin trading, a decision which was prompted by the party's embarrassment at the scale of its drug dealing and China's objections to the increasing amounts of heroin transiting across its territory on its way to Hong Kong and ports in the West. The attempted suppression produced severe frictions between the party's aging leadership and the local CPB commanders who were now opium warlords, thereby

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<sup>56</sup> IBID.

contributing to the collapse of the CPB which would later occur in 1989.<sup>57</sup>

In 1987 the Burmese army assaulted and occupied the CPB's main trading post on the Chinese border, eliminating half of the CPB's annual revenues and destroying much of their influence in the Shan state.<sup>58</sup> This caused great alarm among the CPB leadership because they realized the extent of the deterioration of their relationship with Beijing, and the loss of the cross-border trade would put considerable strain on their coffers. The financial drain and loss of support proved too costly for the CPB.

#### F. NAGAS

China's long-standing hostility towards India, and the unsettled border dispute between the two giants, prompted Beijing to eschew ideology in the interests of realpolitik, and send aid to the Nagas. By supporting the Nagas, the Chinese hoped to destabilize India's sensitive northeastern region and force it to pull troops away from the ceasefire line in the Himalayas.<sup>59</sup> the Naga insurgents were given weapons and limited financial backing for their hopeless

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<sup>57</sup> Bertil Lintner, The Rise and Fall of the Communist Party of Burma (Ithaca: Southeast Asian Program, Cornell University, 1990) 39-46.

<sup>58</sup> IBID.

<sup>59</sup> Lintner, Land of Jade, IBID.



cause. Beijing was well aware of the futile nature of the rebellion, but the value of the instability caused by the uprising to the Indian government was well worth the cost.

India also assisted the Naga insurgents, to some degree, in response to the Chinese efforts, but primarily due to a change in their own domestic policy which provided a subsidy to the minority areas and helped to stabilize the region. This new strategy has been expanded to other regions because of its great success.<sup>60</sup>

Despite support from both China and India, the Naga insurgency is among the poorest. They fight on in vain hoping to form an independent Nagaland, formed from the Naga-inhabited lands in both India and Burma. They would be better off if they joined forces with the NDF, or the KIA, to fight for regional autonomy instead of insisting on their present goals.

The Nagas themselves conquered their present domain through brutal methods, severing the heads of their captured enemies--the last head was taken less than a decade ago.<sup>61</sup> The practice was eventually stopped by Christian missionaries who brought Christianity and education to the hill tribes.

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<sup>60</sup> IBID., 47-48, 60.

<sup>61</sup> IBID., 78.

## VI. "CHINA WHITE"

### A. THE HEROIN TRADE

America's heroin addicts are victims of the most profitable criminal enterprise known to man--an enterprise that involves millions of peasant farmers in the mountains of Asia, thousands of corrupt government officials, disciplined criminal syndicates, and agencies of the United States government. America's heroin addicts are the final link in a chain of secret criminal transactions that begin in the opium fields of the "Golden Triangle"--northeastern Burma, northern Thailand, and northern Laos--pass through clandestine heroin laboratories, and enter the United States through a maze of international smuggling routes.

Most opium grown in Burma is cultivated in the remote hills of northeastern Shan State, and along the Laotian/Thai border. The area has been ambiguously controlled for more than two decades by the CPB, the Shan United Army, and a dozen other rebel groups, each carving a small chunk of power from the undeveloped region. Therefore, Shan state was, for all intents and purposes, beyond the reach of Rangoon.

Phantom villages exist in this disputed land, where villagers live under deplorable conditions and are forced to grow poppy because not much more can survive the harsh climate in the hills. Traditionally, these villagers lived and farmed

in the fertile valleys, growing soybeans, paddy, vegetables and fruit. Little-by-little they have been pushed out of the valleys and into the mountains by the civil war. This partially explains the tenfold increase in opium production in the past decade.

## **B. ORIGINS OF THE TRADE**

It is uncertain when poppies were first introduced to these areas, but most probably they were imported from China's neighboring Yunnan province in the 19th century, when the opium trade flourished in China. Kokang and the Wa Hills, where 90% of the population is ethnic Chinese, has historically been an important center for both poppy cultivation and opium trading.

The business was permitted during British rule and taxed by the colonial authorities, but it was strictly regulated under Burma's 1923 Opium Act.<sup>62</sup> Opium was later banned after Burma gained independence in 1948, but Rangoon's writ barely extended beyond the Salween River. Remnants of China's defeated nationalists, the Kuomintang (KMT), were seeking refuge east of the Salween, from the victorious communists. The KMT set up its own fiefdoms along the Chinese border and enlisted the support of local warlords. Opium was sold in

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<sup>62</sup> Bertil Lintner, "Tax Revenue Helps Finance the Party", Far Eastern Economic Review (4 June 1987), 27.

Thailand to finance raids across the border into China and to meet other KMT needs.

The precipitous collapse of the Chiang Kai-shek's government in 1949 convinced President Truman's administration that it had to take action to stem the tide of Red aggression. In 1950 the CIA began regrouping remnants of the defeated KMT army in Burma's Shan state and in Laos for an invasion back into China.<sup>63</sup>

With CIA support, the KMT remained in Burma--providing intelligence information on the Communists in China--until 1961, when a major Burmese army offensive drove them into Laos and Thailand. By this time, however, the KMT had already become deeply entrenched in opium trafficking.<sup>64</sup> Much of the cultivation has remained under the control of the 3rd and 5th Chinese Irregular Force (CIF), headed by Gen. Lee Wan Huan. Now numbering fewer than 2,000 troops, the CIF is a descendant of a force of nationalist Kuomintang troops driven out of China and into Burma in 1949. Turning to the heroin trade to finance several aborted invasions of China in the early 1950's. Although the KMT failed in their three attempted invasions, they were very successful in developing a comprehensive opium marketing empire.<sup>65</sup> The Kuomintang

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<sup>63</sup> McCoy, 339.

<sup>64</sup> IBID., 342.

<sup>65</sup> Bertil Lintner, "Pushing at the Door", Far Eastern Economic Review (28 March 1991) 28.

troops gradually degenerated into full-time traffickers. They are usually the ones given the credit for centralizing the opium marketing structure--forcing hill tribes to pay an annual opium tax, establishing the trade routes over the borders into northern Thailand, and imported chemists from Hong Kong to set up refineries. By the late 1960's they were providing 99% pure heroin from their secret jungle laboratories to their contacts in Bangkok, Hong Kong, and Taiwan.

The KMT caravans were able to penetrate deep into Shan territory because the Burmese military had their hands full fighting insurgents. Recognizing this, the KMT began funding several smaller Shan rebel groups; while not allowing them to grow very strong, at the very least the ploy added to the confusion in the region thus drawing attention from the KMT activities. The KMT had also been given free reign for their operations in northern Thailand, in exchange for protecting Thailand's northern approach from encroachment and infiltration by Chinese and communist insurgents.<sup>66</sup>

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<sup>66</sup> IBID.

### C. LOGISTICS

Despite countless minor variations, all of Asia's poppy farmers use the same basic techniques when they cultivate the opium poppy. The annual crop cycle begins in late summer or early fall as the farmers scatter handfuls of tiny poppy seeds across the surface of their hoed fields. At maturity the greenish-colored poppy plant has one main tubular stem, which stands about three or four feet high, and perhaps half a dozen to a dozen smaller stems. About three months after planting, each stem produces a brightly colored flower; gradually the petals drop to the ground, exposing a green pod about the size and shape of a small chicken egg. For reasons still unexplained by botanists, the seed pod synthesizes a milky white sap soon after the petals have fallen away. This sap is opium, and the farmers harvest it by cutting a series of shallow parallel incisions across the bulb's surface with a special curved, three bladed knife. As the sap seeps out of the incisions and congeals on the bulbs surface, it changes to a brownish-black color. The next morning the farmer collects the opium by scraping off the bulb with a flat, dull knife.<sup>67</sup>

Even in this high-tech modern age, raw opium is still moved from the poppy fields to the morphine refineries on horseback and human porters. There are few roads in the

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<sup>67</sup> McCoy, 12.



underdeveloped mountainous growing regions of Burma, and even where there are roads, traffickers tend to avoid them to evade police and army patrols. Most traffickers prefer to do their morphine refining close to the poppy fields, since compact morphine bricks are much easier to smuggle than bundles of pungent jelly-like opium. Although they are separated by over four thousand miles, criminal "chemists" of the Middle East and Southeast Asia use roughly the same technique to extract pure morphine from opium.

The chemists begin the process by heating water in an oil drum over a wood fire. Next, raw opium is dumped into the drum and stirred until it dissolves. Then at the right moment the chemist adds ordinary lime fertilizer to the solution, precipitating out organic waste and leaving the morphine suspended in a chalky white water near the surface. An ordinary piece of flannel cloth is used to filter the water, removing any residual waste matter; the chemist then pours the solution into another oil drum. As the solution is heated and stirred a second time, concentrated ammonia is added, causing the morphine to solidify and drop to the bottom. Once more the solution is filtered leaving chunky white kernels of morphine on the cloth. When dried and packaged for shipment, the pitzu (coarse morphine) usually weighs about 10% of what the raw opium from which it was extracted weighed.<sup>68</sup>

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<sup>68</sup> Alvin Moscow, Merchants of Heroin (New York: The Dial Press, 1968) 61-63.

The heroin refining process is a good deal more complicated, and requires the supervision of a chemist. Since the end of World War II, Marseilles and Hong Kong have established themselves as the major centers for heroin laboratories. However, since the KMT gained dominance of the market they been challenged by heroin laboratories located within Southeast Asia's Golden Triangle, primarily inside Burma's porous borders. Most laboratories are staffed by a three man team consisting of an experienced master chemist and two apprentices. In most cases the master chemist is really a master chef who has simply memorized the complicated five part recipe after several years as an assistant. The goal of the five stage process is to chemically bind morphine molecules with acetic acid and then process the compound to produce a fluffy white powder that can be injected from a syringe.<sup>69</sup>

From the Golden Triangle the heroin is shipped over one of several routes. The first route crosses into Yunnan province China. Much of the narcotics brought into Yunnan is not intended for local consumption, but is transported to Hong Kong or to other international ports to be shipped to the West. Tighter enforcement in Southeast Asia apparently has made China a more viable alternate shipping route from Burma to the West, despite the harsh penalties facing traffickers in

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<sup>69</sup> McCoy, 12-13.

China.<sup>70</sup> The addiction problem in China is still relatively minor, but there is growing concern as more younger people turn toward recreational use of narcotics.<sup>71</sup>

A second route travels through northern Burma to the Indian border region. Once over the border, the shipment will be sold in the region, or it will continue on to Calcutta, Madras, or port cities in Bangladesh. The increase in narcotics trafficking is seen by the Indian government as a threat to their national security as local usage continues to increase dramatically. However, the majority of narcotics shipped through India is destined for export to the West.<sup>72</sup>

The third primary route takes the heroin directly across the Thai border, which is where most of America's Asian heroin, until recently, has originated. Although Thailand's own production is small compared to that of its neighbors, Thailand plays an increasingly important role. Anti-narcotics officials say 40-50% of the heroin flowing into the U.S., and 80% of the heroin reaching New York City is from the Golden Triangle,<sup>73</sup> and Thailand provides convenient routes for drugs

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<sup>70</sup> Nicholas D. Kristof, "Heroin Use Spreads in China Among the Curious Or Bored", New York Times (21 March 1991) A1.

<sup>71</sup> IBID.

<sup>72</sup> David Steinberg, "International Rivalries in Burma: The Rise of Economic Competition", Asian Survey, Vol XXX, no. 6 (June 1990), 597-598.

<sup>73</sup> Michael Richardson, "Alarming Increase in Heroin Traffic", Pacific Defence Reporter (March 1990), 16-17.

destined for sea and air terminals to the U.S. and other international markets. Additionally, their role in the financing of the trade has increased dramatically.

Thailand's well developed infrastructure has made that country the crucial link in the region's narcotic trade. An extensive road, rail, shipping, and telecommunications network, as well as booming trade and travel connections with the rest of the world, have made Thailand the main transit point for the international drug trade. Thai officials respond with denials and demands for greater efforts by the U.S. government to suppress the demand for drugs instead of discrediting Thailand.

Alarmed at a rapid increase in heroin trafficking from Southeast Asia, Western officials have recently warned that Thailand risks being corrupted and "stigmatized" as Columbia has been unless stronger steps are taken to stop transshipment of drugs to other countries. The governments of Malaysia and Singapore already regard narcotics abuse as a potential threat to national security and have imposed a mandatory death penalty for traffickers. Thailand has been slower to see the problem in this same light and many Western officials are worried that the authorities in Bangkok may be doing too little, too late. Lastly, evidence strongly suggests that there are high ranking Thai military and government officials who continue to profit enormously from smuggling narcotics out through their country. These people have a powerful

interest in insuring that the narcotics trade is perpetuated, often exerting significant influence in the Shan State and border regions with Thailand.<sup>74</sup>

#### D. A POLICY OF COLLUSION

Unable to deal with both narcotics traffickers and insurgents simultaneously, Rangoon has opted to focus on the insurgents. Evidence shows the government has made alliances--similar to the agreements that established the Ka Kwe Ye (KKY), or government militia--with various trafficking organizations to allow the army to free-up troops which then can be redeployed to quell the discontent in the cities and to fight the main insurgent threats--the Karen and the Kachin. The government has provided additional support by securing precursor chemicals, providing security forces for the new refineries, allowing free passage of narcotics in government controlled areas and protection in rebel controlled territory and money laundering in the state banking system.<sup>75</sup>

The distribution of narcotics is now shifting heavily into China's Yunnan province. The major growing region adjacent to Yunnan province is controlled by the Wa and Shan

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<sup>74</sup> William H. Overholt, "Dateline Drug Wars: Burma: The Wrong Enemy", Foreign Policy, no. 77 (Winter 1989-90) 173.

<sup>75</sup> A series of interviews with officials within various U.S. Government organizations and a Burmese student, living here in the United States, provide the source for these allegations.



factions of the, now defunct, CPB. Once a secondary route, this has become the major outlet for Burmese heroin because of the new government complicity to the trafficking. The border is controlled by the Burmese 99th Light Infantry Division--the unit responsible for the brutal slaughter of pro-democracy demonstrators in Rangoon in September 1988; free access has been granted to the traffickers in exchange for their promise to abstain from becoming involved in any insurgent movement.

Dozens of refineries are now in operation; the stream of heroin out of Burma has turned to a flood, while the government in Rangoon appears unable, or unwilling, to do anything about it. This is partly due to the political instability that has dominated the capital since the riots and subsequent military coup in 1988.

Despite the growth and modernization of the Burmese military, the country remains a collection of fiefdoms ruled by traditional tribal chiefs, insurgents, drug lords, military regional commanders, and black marketeers. Control of these remote regions shifts between them as alliances are made and broken.

The following discussion of Burma's druglords will shed some light on the confused state of conditions which have allowed the trade to flourish. The industry's pioneers, the KMT, have already been viewed for their contribution to the growth of the trade and the subsequent impact of the additional instability of the region. Subsequent analysis of



the Golden Triangle will contemplate the principal role of Khun Sa, alleged kingpin of the opium trade. The most recent leaders of the industry, emerging from the rubble of the once powerful CPB, will also be addressed.

#### F. BURMA'S DRUGLORDS

Until recently as much as 90% of the heroin from Burma has been under the control of a single opium warlord: an enigmatic, notorious figure, alias Khun Sa. Born Chang Chi-fu in 1934, Khun Sa heads the Shan United Army (SUA), a heavily armed force estimated to be as many as 15,000 strong, which controls a 200-kilometer stretch of the Burmese-Thai border where most of the refineries are located.<sup>76</sup> Kicked out of Thailand in 1982, he now operates out of a fortified headquarters in the Doi Lang mountain range only a few kilometers inside Burma.

With his main rivals largely destroyed, Khun Sa became the first of the Golden Triangle warlords to be worthy of the various media titles--"Prince of Darkness", "King of the Jungle", and "King of the Opium Trade". In 1986 the Far Eastern Economic Review estimated that Khun Sa's army transported and refined as much as 80% of the Golden Triangle's opium harvest.<sup>77</sup> With the SSA broken, the CPB in

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<sup>76</sup> McCoy, 388.

<sup>77</sup> Bertil Lintner, Far Eastern Review (20 February 1986).

ruins, and the KMT at its weakest point in more than three decades, this estimate of Khun Sa's influence may even be conservative. The State Department suggests that Khun Sa may control as much as 60% of the world's illicit opium supply.<sup>78</sup>

While Khun Sa admits to being involved in the drug trade, he insists that he is the leader of a nationalist movement and the recognized chief of the 8 million Shan people. Claiming to tax only the opium that passes through his territory so that he can feed his people, Khun Sa has repeatedly offered to abandon the heroin trade if the United States will pay him U.S.\$100 million a year, for six years, and assist him with a crop substitution program to provide a source of income for his people.

For their part, both Bangkok and Washington continue to regard Khun Sa as a criminal, and the SUA as his personal security force. The Thai government has put a U.S.\$25,000 price on his head, despite several decades of overt connivance with the druglord. Washington, for its part, has indicted him on 10 counts of narcotics trafficking and racketeering.

Khun Sa has other enemies as well. Some of the armed rebels in northern Burma, such as the various remnants of the CPB, and the Shan State Army (SSA), are occupied with

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<sup>78</sup> U.S. State Department, Bureau of International Narcotics Matters (INM), International Narcotics Control Strategy Report (1990) 286.

smuggling heroin north into India and China and rarely clash with Khun Sa. On the other hand, there is almost constant skirmishing in the hotly contested areas along the eastern border with Thailand, where a half-dozen groups including the WA and Pa-o insurgencies vie for control of the heroin trade. This kaleidoscope of constantly shifting alliances among the traffickers, insurgents, and Burmese government forces allows very little stability to exist in the Shan state. Some groups that used to fight are now working together; next week, they may be adversaries again, fighting for control of the caravan routes and power over the hill farmers.<sup>79</sup> It is a business, and in this business, all is fair.

Among Khun Sa's most bitter competitors is the Wa National Army (WNA), which is also heavily dependent on the opium trade for its financial support. The WNA has become much stronger recently, combining with factions--predominantly Wa troops--of the now defunct CPB. The Wa, who were once feared headhunters<sup>80</sup>, have been gaining control of the growing region along the Chinese border near Kokang.<sup>81</sup>

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<sup>79</sup> Interview with Mr. Eric Sandburg of the Burma desk at the U.S. State Department, September 1991.

<sup>80</sup> Bureau of International Narcotics Matters, International Narcotics Control Strategy Report: Mid-Year Update (September 1991) 56.

<sup>81</sup> The Wa are believed to be the original inhabitants of this region; many of the local rulers in Burma and northern Thailand paid tribute to the Wa, as original owners of the land.

Conflicts between the WNA and the SUA have been heating up in recent years, often spilling over into Thailand. With the new ex-CPB alliances, it is believed the Wa have greater access to precursor chemicals from China, and have taken advantage of deals with the Burmese military which give them unequaled freedom to market their opium.

As the pressures against Khun Sa mounted in 1989-1990, the Burmese seem to have already prepared an heir to his empire. When the CPB broke up, Rangoon exploited the split to revive Lo Hsing-han as the opium warlord of the northern Shan state. Only nine days after the disintegration of the CPB, Lo Hsing-han was welcomed back to Kokang state by the same leaders who had driven him out in 1968. After he met with Burmese army officials in Lashio, Lo's new opium army opened seventeen new heroin refineries in Kokang and began to challenge Khun Sa for control of the northern Shan opium harvest.<sup>82</sup> Lo is believed to ship his heroin through China, instead of Thailand.

The SLORC seems to be employing the rule of "divide and conquer". As each group or warlord becomes too powerful, Rangoon reshuffles its arrangements to allow it to bring its own strength against its foe. Many of the Wa mutineers, to the delight of Rangoon, have turned their attention to fighting Khun Sa for control of the lucrative trade. This

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<sup>82</sup> U.S. State Department, Bureau of Narcotics Matters, International Narcotics Control Strategy Report (1990) mx:6.

helps to explain the emergence of several other competing drug lords.

Until a few years ago, nearly all of the laboratories--where raw opium is refined into no. 4 heroin--were located along Burma's eastern border with Thailand. This had always been Khun Sa's bailiwick, and until recently he was the most powerful opium warlord in the Golden Triangle. Now, however, despite the State Department's assessment, he seems to be losing ground to a new generation of more influential and better-connected warlords in Burma's northern Kokang area, adjacent to Yunnan. A string of new refineries have been established in this region, putting them closer to the poppy fields in northern Shan state, the potentially enormous Chinese market and seemingly easier routes to the outside world.<sup>83</sup>

This new heroin empire has emerged in the wake of two important political events in Burma over the past few years: the ruling military's brutal crushing of a popular uprising for democracy in 1988 and a mutiny among the rank and file of the country's then most powerful insurgent group, the Communist Party of Burma (CPB). When the Burmese military moved in and reasserted power on 18 September 1988 after weeks of anti-government demonstrations, its main fear was that the pro-democracy movement might gain access to arms with which to

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<sup>83</sup> Bertil Lintner, "Triangular Ties", Far Eastern Economic Review (28 March 1991) 22.



confront the newly installed military regime. The military, acting quickly, has allowed some former CPB foes to form local militia; by doing so they are permitted to continue their trafficking without government interference--in return the militia agreed not to give other insurgents or dissidents weapons or assistance. Rangoon also benefits as it gains a tremendous source of revenue, for their on-going military modernization program, by taxing the profitable heroin trade.

A recent article in the Far Eastern Economic Review cited intelligence sources which name six former CPB commanders--in addition to Lo Hsing-han--who have taken advantage of the mutually favorable and very lucrative arrangements made with the Rangoon government since the break-up of the CPB in 1989.<sup>84</sup>

The demise of Khun Sa may be near; however, his capture will have little impact on the heroin trade. Like the poppies grown in the hills, Khun Sa is a product of the Golden Triangle. At one time, he was armed by the CIA, trained by the KMT, and protected at various times by both the Burmese and Thai governments. He has drawn his strength from the complicity and shifting loyalties of the powerful forces in the region. If his should collapse, another organization will take his place to provide a continuous supply of "Asian White" to feed the world's growing hunger for heroin. An end to the

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<sup>84</sup> Bertil Lintner, "The New Dealers", Far Eastern Economic Review (28 March 1991) 26.



political instability and economic decay must precede efforts to suppress or supplant the opium industry from its foothold in Burma.

## VII. ARMS TRANSFERS: THE FALLOUT IN BURMA

### **A. A NEW APPROACH**

On June 18, 1989, the SLORC issued a ruling that henceforth the official name of the country (in English) would be Myanmar. Myanmar is a translation of what has been the official name in Burmese since independence in 1947. The new name was meant to imply no ethnic connotations, and a new approach to thinking about the problem of national unity in an ethnically diverse society that has been plagued by ethnic separatist movements and insurgencies since 1948.

To many, however, the name change was only camouflage for "politics-as-usual". Critics argued that the military coup of September 18, 1988 was a phony. Power had not changed hands because the BSPP had always been an instrument of the army and General Ne Win, and the coup merely removed the discredited party from the formal structure of power. Furthermore, critics contend that unless a civilian government is established, new policies not intended primarily to serve the interests of the military elite are impossible. This, of course, was the basis of the political demands during the 1988 demonstrations--for the establishment of an interim civilian government, and to hold national elections for new central leadership.

In view of the failure of any government since independence to implement economic, social and other policies to effectively develop the country's human and natural resources, a new social and political order is needed. How to establish a fresh working relationship between state and society was at the heart of politics in 1989, and continues to be a primary focus today. In the face of extensive foreign and domestic criticism, the military government has pursued its agenda with a single-minded determination to develop a different economic order, while ensuring that political liberalization takes place in an orderly environment securely in their control. The nature of that order will be determined by the military, and that has caused deep mistrust, dissent, and the continued ruination of the economy. The heart of the new government's rebuilding program is the enhancement of its military, to the detriment of the economy. Without a strong military to control the population, the government feels the country would fragment into autonomous regions which would then be left to the mercy of the outside world.

Before the 1988 pro-democracy uprising, Burma's armed forces totaled between 185-190,000 men. In late 1990, the figure had risen to 230,000, today it is believed to be closer to 280,000 and the aim, according to well-informed sources in Rangoon, is to reach 300,000 before the end of the year. "We have reports indicating that the final goal is a 500,000 strong, well-equipped military regime," a Rangoon-based

observer said. But the present build-up does not seem to be aimed primarily at enhancing their traditional counter-insurgency role.<sup>85</sup> The 1988 pro-democracy uprising in the urban areas of central Burma, and its extension in the May election victory for the main opposition National League for democracy (NLD) party, has given the armed forces the new role of consolidating and, if possible, perpetuating the military's grip on power in Rangoon.<sup>86</sup> To strengthen the armed forces for its new mission, the SLORC has initiated a major build-up and modernization program.

A US\$1.3-1.4 billion buying spree of a squadron of jet fighters, navy patrol boats, over a hundred light and medium tanks and APCs, as well as anti-aircraft guns, rocket launchers, and assorted small arms by the Burmese armed forces has been undertaken. Well-placed sources in Rangoon say Beijing sent about 100 light and medium tanks to Burma, including T69IIs and the Chinese version of the Soviet PT76 light amphibious tank, in addition to a substantial number of armored personnel carriers (APC). Also included in the deal were some 20 to 30 Chinese 37mm twin barrel and single barrel 57mm anti-aircraft guns.<sup>87</sup> The Burmese have paid something

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<sup>85</sup> Bertil Lintner, "Lock and Load", Far Eastern Economic Review (13 September 1990) 28.

<sup>86</sup> Bertil Lintner, "Oiling the Iron Fist", Far Eastern Economic Review (6 December 1990) 28.

<sup>87</sup> IBID.

more than the "friendship prices" originally envisaged and, according to intelligence sources, had to pay US\$400 million in cash, up front for the equipment. "Burma simply doesn't have that kind of money now," a political analyst asserted.<sup>88</sup> Yet it does, as will be discussed later in this chapter.

Other suppliers have also jumped at the chance to sell weapons and supplies for Burma's build-up. A recent arms purchase from Pakistan for about US\$20 million worth of small arms was delivered in late May. In addition, the Yugoslavs are believed to have struck a barter deal for weapons, and Yugoslav mining experts are looking into the prospect of revitalizing dormant gold mines around Mandalay. Why does the Burmese Government need this level of sophisticated weaponry? Because it is essential to solving their current problems--at least according to the SLORC. To raise the morale of the military the SLORC believes a modern army is the key. Another reason is to intimidate the public--tanks and APCs are certainly great for crowd control. The SLORC realizes the military has become estranged from the population. Pedestrian overpasses were built in Rangoon at strategic intersections within the city for greater safety during rush hour. The only problem is, Rangoon does not have enough vehicular traffic to constitute this as a viable need; however, they do make excellent perches for armed troops allowing them to shoot down

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<sup>88</sup> IBID., 30.

into crowds. A stronger military will allow more control of the population, while they deal with the troublesome insurgencies along the border regions.

A recent article in the Rangoon "Working People's Daily", written by Mya Win summarized the immensity of the charge the SLORC has contrived as their duty to the nation:

The State Law and Order Restoration Council had especially to combat all embracing demands and to concentrate its attention to protect programmes for building of a new nation. It had to thwart all bids to secure State power through a short-cut and concentrate its attention to writing a constitution that would meet the aspirations of the masses. The State Law and Order Council has to desperately defend itself against all political, military and sabotage attacks launched by multi-colour insurgents; against attacks of foreign 'rightist' elements; against confrontations in all forms perpetrated by internal 'leftist' and 'rightist' forces. And while doing so it has also to advance from stage to stage, with due regard to historical and legal requirements along the road to a multi-party democracy. In other words, the State Law and Order Restoration Council is performing the duties of a reforming and rebuilding government during this transitory period. These characteristics stand on a much higher plane than the characteristics of an ordinary interim government....



like the one in 1958 that only rode over a political storm and restored normalcy.<sup>89</sup>

## **B. NEW TACTICS FOR MODERNIZATION**

After crushing all organized civilian opposition inside Burma, the SLORC has now successfully neutralized several of the country's border insurgencies as well. The government has been able to do this for the most part with promises of development schemes and political concessions, reflecting a new approach to the country's decades-long insurgencies.

The new policy was first put into practice following the disintegration of the Burmese Communist Party (BCP) in the spring of 1989, when the hill-tribe guerrillas drove the aging communist leadership into exile in China. Rather than striking the weakened splinter groups with a military offensive, as has been the Burmese tactic in the past, Rangoon struck deals which allowed the hill tribes to keep their weapons, maintain control in their respective regions, and engage in various economic activities--primarily heroin production--unhindered. In exchange they promised not to take up arms against government forces, but instead help government forces fight Khun Sa and the Shan United Army. Although, the agreements are in place they offer only a tenuous peace; there is still no significant government presence in the area.

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<sup>89</sup> Foreign Broadcast Information Service, "SLORC's 'Nation Building' Role Discussed" (FBIS-EAS-91-092, 13 May 1991) 29.

The SLORC's main goal has been to neutralize the border insurgencies and to prevent urban dissidents from getting access to arms and ammunition. Tens of thousands of troops have been freed from counter-insurgency duties and redeployed in the urban areas of central Burma since the cessation of hostilities in traditionally rebellious Shan state. This new 'linear strategy' is allowing the military to divide and conquer.<sup>90</sup>

The dry season--January through mid-April--usually marks the beginning of the Burmese army offensive against the rebel groups operating in the border areas. The past few years have been a little different than previous years, with the heaviest fighting in the northern Kachin state and in the Thai border region, against the Kachin and Karen, respectively. The difference is that a better equipped military has been able to push the insurgents from their traditional strongholds along the border. For decades the Burmese army was a poorly equipped but comparatively effective light infantry force which concentrated almost all its efforts on combating various insurgent forces under harsh conditions in the country's remote frontier areas. Quite often 50%, of the Burmese troops sent into the field would be without weapons, and most were all too happy to avoid conflicts with better equipped rebel

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<sup>90</sup> The phrase 'linear strategy' means to placate or otherwise neutralize the majority of opposition forces, while concentrating efforts at destroying a few key troublesome adversaries, namely the Karen and the Kachin.

forces. Although they were an aggressive force, without weapons, they were no match for the insurgents.

Today, only four major insurgencies persist--the main Kachin Independence Arm (KIA) in Kachin state, the Karen National Union (KNU); the New Mon State Party; and the All-Burma Students Democratic Front, which has units along the Thai border, as well as in Kachin state.<sup>91</sup> Once the military has quelled the remaining insurgencies, they will more than likely turn their attention back to these other regions--breaking these fragile agreements of convenience with the Wa, Pa-O, Palaung, and fragments of the KIA--to quiet the subversive minorities.

When stability is finally delivered to the countryside, the SLORC plans to tackle their economic problems. The decades of Ne Win's authoritarian rule and his "Burmese Way to Socialism"--an idiosyncratic mix of isolationist know-nothingism, numerology, and nepotism--has reduced Burma to the status of a pauper nation. However, now the military regime appears to be committed to a sustained modernization of their armed forces, despite evidence that the build-up is taking a further toll on the economy.

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<sup>91</sup> Bertil Lintner, "Spiking the Guns", Far Eastern Economic Review (23 May 1991) 12-13.

### C. FUNDING THE BUILD-UP

How is Rangoon funding this tremendous multi-billion dollar build-up? Western governments had cut off aid and have discouraged investment since the brutality of September 1988. Unable to borrow funds from foreign banks or government agencies, Rangoon seems content to mortgage Burma's future by selling off its valuable resources at bargain store prices.

When General Chaovolit Yongchaiyuth, the Thai Army commander and Deputy Prime Minister, visited Burma and returned with generous logging, gem, and fishing deals, Burma's financial picture suddenly changed. A total of 40 logging concessions gave Thailand access to one of the world's last great teak forests.<sup>92</sup> A briefing document written by the Burmese Government's Timber Corp in February 1989 said that 20 concession areas had been contracted along the Thai-Burma border with total exports of 160,000 tonnes of teak logs and 500,000 tonnes of other hardwood logs authorized.

Growth for the past three years has been due primarily to the export of timber, fisheries, and other resource extraction investments--teak accounted for more than 32% of Burma's total exports in 1990.<sup>93</sup> Timber Corp. estimated revenues of

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<sup>92</sup> James Pringle, "Thai Loggers Rape Burma Teak Forest", London Times (29 May 1990) 17A

<sup>93</sup> Jonathan Friedland and Bertil Lintner, "A Policy of Pillage", Far Eastern Economic Review (8 August 1991) 56-58.

US\$112 million a year from the logging--this amount was later doubled with the granting of 20 additional concessions--a bonanza by the scale of Burma's foreign trade.<sup>94</sup>

Virtually broke and with no foreign aid available to them the SLORC also invited foreign businesses back to Burma to invest--hoping to raise funds for their regime. Foreign oil interests--ignoring the Western governments' calls for an embargo on trade and investment--have also responded to the Burmese opening their borders for exploration and development. This onshore investment opportunity was a major change in Burmese economic policy, signaling a shift toward some economic liberalization, in light of their past phobia of foreign domination. More importantly, however, it indicated the dire financial straits of the military regime, which insisted on a substantial signature bonus of up to \$5 million.

The accuracy of the onshore geological surveys, while generally believed to be legitimate, have not been proven to date. Few, if any, new reserves have been discovered since the concessions were opened to foreign exploration. However, the 10 oil companies have spent an estimated US\$440 million since 1989. The government appears to have thrown all its apples into the exploration and discovery of vast on-shore oil reserves. It has gone so far as to mortgage its future

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<sup>94</sup> Hamish McDonald, "Partners in Plunder", Far Eastern Economic Review (22 February 1990) 17.

purchasing vast quantities of modern weapons from the Chinese government for a percentage of the oil production.

#### **D. OPIUM: A NEW SOURCE OF INCOME**

There is strong suspicion in Western narcotics control agencies that Rangoon has taken a more direct hand in the opium trade. The government's recent media-hype, highlighting the destruction of a heroin refinery, was a staged event to entice the U.S. into renewing the funding for anti-narcotics programs.<sup>95</sup> Western narcotics agencies remain distanced from Rangoon. Recent military operations in the northern Shan state captured a large portion of the prime poppy cultivation region. Rangoon has in the past had a working agreement with the Shan drug-lord, Khun Sa. If he would help Rangoon fight other ethnic rebels, they would not interfere with his opium trade. Until recently, there had been no known battles with Khun Sa's forces.<sup>96</sup> This relationship seems to be changing; the government is now working closely with remnants of the shattered CPB forces in the Wa Hills to fight Khun Sa. As part of their linear strategy the Burmese government cannot allow any adversary to get too strong. Khun Sa has enjoyed free reign long enough, his contacts with Thai northern

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<sup>95</sup> FBIS

<sup>96</sup> Hodding Carter IV, "King of the Jungle", M INC. (March 1991) 88.



regional commanders have become too strong, therefore his domination must be diminished.

This past year's opium crop yielded an estimated record 2,500 metric tonnes of opium<sup>97</sup> (intelligence sources claim even this number is too low)--when processed this equates to about 250 metric tonnes of heroin, with a New York street value of well over \$125 billion.<sup>98</sup>

Rangoon has always had a wavering commitment to anti-narcotics operations. Eliminating illegal narcotics and black market trade adversely affects hill tribes and urban dwellers alike. The Burmese economy is so poor that Rangoon has little to offer the hill tribes as substitutes for their opium crops. The vast majority of consumer items, including medications, are available only through the black market. Elimination of these trades would increase unrest among the population. The government 'officially' wants to enforce anti-narcotics policies, but it realizes that to do so would alienate many people and increase the support for the insurgents. Additionally, corrupt military and government officials would continue to work against measures to suppress narcotics and other cross border trafficking, since they reap great rewards for their involvement in the trade.

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<sup>97</sup> Steven J. Hedges, "The Dragon Lady's Revenge", U.S. News and World Reports (2 July 1990) 27.

<sup>98</sup> This figure was quoted during an interview with a DEA agent--it is also consistent with the Hedges article in U.S. News and World Report (2 July 1990) 27.

Conflicting political and economic factors muddle the government's narcotics policies and preclude the development of clear objectives for the military as well. Losses of equipment and men in anti-narcotics operations is unacceptable to military leaders, and has an equally negative impact on the morale of the soldiers. On the other hand, the Burmese government is dedicated to preventing insurgents and narcotics traffickers from gaining a sufficient power base from which to overthrow the government or secede from the union. Military leaders are committed to this goal; this also helps to explain the emergence of new, powerful drug lords along the border regions. The army has the ability to contain the insurgents and narcotics traffickers, but it has not been able muster the strength to defeat them.

#### **E. BURMA'S INTERNAL SECURITY**

In developed, industrialized countries the distinction between 'defense' and 'internal security' is fairly clear-cut, in terms of both budgetary allocations by the government and the forces involved in defending the state against external and internal threats. In the Third World, on the other hand, the military is often much more closely involved in maintaining internal security. Not only are internal threats often substantially more serious than in the developed world, frequently taking the form of large-scale, long-term insurgencies by ideologically-motivated revolutionaries, or

ethnically-motivated separatists, but also the armed forces are frequently involved in the administration of the government itself, and use their own military potential to maintain their hold on power.

This is exactly the situation found in Burma today. The Pro-democracy movement of 1988 forced the Burmese government to take decisive action--in the form of brutal repression. In the subsequent elections, whether the SLORC miscalculated the public's anti-government feeling, or used the elections to flush out the remaining opposition leaders is inconsequential. The important fact is that all political opposition was eliminated-- with the help of the "free and fair" elections of May 1990. More than a thousand NLD organizers and others in opposition have been arrested since last years polls. An estimated 300, including 10 elected candidates, have fled to the Thai border and established a parallel government. Having effectively dismantled the NLD, the SLORC and Burma's Directorate of the Defence Services Intelligence (DDSI) now appear intent on extending control over civil servants and those candidates who are still at large.<sup>99</sup> Divide and conquer remains the preferred technique.

Opposition leader Aung San Suu Kyi remains under house arrest, after two years and one-half years, for 'acts against the government'. She is seen as the only person that has the

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<sup>99</sup> Bertil Lintner, "Off With Their Heads" Far Eastern Economic Review (9 May 1991) 9-10.

charisma, the power, and the talent to unite the Burman majority with the ethnic minorities to topple the present military regime. She has resisted pressure from the SLORC to leave the country, and give up politics, opting instead to remain under house arrest in protest to the brutal repression of the SLORC.

Winning the 1991 Nobel Peace Prize gave legitimacy to Aung San Suu Kyi's crusade, and brought to the forefront of international concern the plight of Burma. Her strength has given the Burmese the will to resist the continued repression by its own government. Without her strength and conviction--her charisma--the Burmese people and ethnic minorities have little chance of gaining their democratic freedom.

While Aung San Suu Kyi remains incarcerated, the only major threat to the SLORC appears to be a rekindling of pro-democracy student activism. In response Major General Khin Nyunt, head of DDSI, has vowed severe retaliatory actions for any anti-government unrest by the students.<sup>100</sup> He has vowed the student protests which paralysed Burma in 1988 would not be repeated. The stunned country watched as the military moved in to suppress the demonstrations with guns and bayonets, and has since been bullied into submission. However, the demonstrations are beginning to reappear; on

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<sup>100</sup> "AFP: Junta Remains Fearful of Student Unrest", Foreign Broadcast Information Service (FBIS-EAS-91-065-A, 4 April 1991) 29.

12 December 1991 thousands of troops were rushed to Rangoon to put down the protests. With renewed fervor the students are demanding the release of their leader, Aung San Suu Kyi, despite facing the bayonets of the SLORC's modern army.

#### **F. REDRESSING PAST INJUSTICE**

The military leadership's fear of retribution to redress their past actions prevents them from coming to an accord with the political opposition--which should not be misinterpreted as 'insurgents'. Government spending appears almost solely military-related. Official statistics from the Ministry of Planning and Finance put defence expenditure at 32% of Burma's budget for the fiscal year ended on 31 March, but independent analysts put total-defence related spending at closer to 50% of the Kyats 12 billion total.<sup>101</sup>

There is considerable evidence that the resources which have been devoted to counter-insurgency have failed to produce the desired result of enhanced internal security. Given that the majority of the insurgencies have risen from fundamental economic, social and political inequity, they can only be conquered by the Rangoon's willingness to implement substantial reforms. The necessary improvements will most likely not be forthcoming, because it is beyond the abilities of those in power. "There are few people in the government

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<sup>101</sup> Friedland and Lintner, "A Policy of Pillage", 56-58.



with any experience at all with market economics", a multilateral bank economist says. "They simply do not have the capacity to manage a workable economic programme."<sup>102</sup> Although the application of military counter-insurgent operations and local civic action projects may diminish some of the immediate threats of the unrest, in the long-run, they are often counter-productive. The government will gain little favor by continuing to raze villages, hoping to smoke out insurgents, or eliminate assistance to the rebels. Nor will much progress be made by spending billions on weapons while ignoring the socioeconomic problems of the countryside.

Abuses by the armed forces have stimulated additional support for the insurgents along the border regions. Villages have been shelled by artillery, and destroyed by air strikes in massive suppression drives through insurgent territory--forcing tens of thousands of refugees to flee towards the Thai border. Locals, pressed into service as porters for the army, brutally treated, tortured and starved, often never return. Numerous reports of insurgents raping and pillaging hill tribe villages frequently are cover-ups of further military abuses.

Historically, there is no love lost between the ethnic minorities and the Burman majority--this may help to explain why there was a lack of retaliatory action by the minority insurgents after the 1988 demonstrations. History also

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<sup>102</sup> IBID.



reveals the lack of cooperation between minorities--often fighting between themselves--has worked to their disadvantage.

Moreover without grassroots involvement in the definition of local needs, local development programs undertaken as part of the counter-insurgency campaign may not only fail to win over the local population, but may actually alienate it even further by increasing opportunities for corruption amongst local authorities and military officers. Regional commanders, who generally are not well educated, are seldom eager to take responsible positions in Rangoon. They are making too much money from up-country commerce. Officers are frequently offered money, gems, and other gifts for turning a blind eye to, or facilitating, narcotics and other contraband trade.<sup>103</sup>

While counter-insurgency policies based on military repression and piecemeal civic action are unlikely to provide final solutions to the insurgency problems, government officials and military leaders have a vested interest in the continuation of this type of approach. In the first place, such a response implies that those who benefit from the economic, political and social status quo need not relinquish their privileges as part of the solution to the problem. For the past thirty years, since Ne Win first took control of the country, Burma has had a two class society, the privileged military elite and the masses. Fears abound in the military

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<sup>103</sup> Friedland and Lintner, "A Policy of Pillage", 56-58.

that should a civilian government come to power in Rangoon, the military will not only lose the privileges and standard of living they have enjoyed, they will also be held accountable for their past atrocities.

Second, by blaming the insurgency on criminally-motivated and/or externally influenced terrorists rather than admitting to the existence of basic socioeconomic and political injustice, the SLORC is able to provide a justification for the continuation of the authoritarian government and the repression of human and political rights in the interests of national security. The numerous misleading "news accounts" of rebel forces committing atrocities in mountain villages, or running afoul the laws in other ways are meant to discredit the minorities and further alienate them from the Burman majority--thus preventing them from joining forces against the SLORC.

Third, an approach based on military responses and 'civic action'--military tribunals--implemented under the auspices of the armed forces gives the latter a seemingly vital operational role, helping to ensure the continuing large-scale diversion of national resources to the military, as well as providing sustained opportunities for corruption, allowing senior officers to maintain and enhance their prestige, influence and wealth.

### **VIII. REGIONAL INTERESTS**

Since the 1960's Burma has been known as the neutralist nation "par excellence". It attempted to balance between both superpower polarization and the participants in the Sino-Soviet split, although it had to pay special attention to China. Burma withdrew from the Non-aligned Movement in 1979 when it moved--in Burma's view--too close to the Soviet Union. Burma has refused to join ASEAN; they see the organization being heavily influenced by the United States.

The SLORC's record of political and economic mismanagement, human rights abuses, and unpredictability has not been lost on Burma's neighbors. These nations have adopted policies which have maintained cordial relationships, exploited Burma's vast resources; in some cases, they have revoked financial aid and support, and/or have suggested reforms are needed. The discussion which follows will be focused on the germane regional relationships.

#### **A. CHINA: A GOOD FRIEND AND NEIGHBOR**

China's relationship with Burma since 1949 has been, for the most part, quite good. It has been facilitated by the fact that for over 25 years China has dealt with the government of Ne Win, and no other country can be said to have

had such a consistently good relationship with the Peoples Republic of China (PRC) since 1949. Initially after coming to power, the PRC attacked Burma and other neutralist countries as reactionary bourgeoisie and lackeys of U.S. imperialism. This phase of revolutionary enthusiasm soon gave way to a policy that was aimed at cultivating relations with neutral third world countries. This has been the mainstay of China's policy toward Burma.

The Burmese, overwhelmed by China's economic and military superiority and without counterbalancing allies, allowed the Chinese to form a special relationship with them. They seemed content to pay homage to China, in exchange for the trappings of respect as an independent country and only a small amount of intervention in their internal affairs. A treaty of Friendship and Cooperation was signed in 1960 which settled a bothersome border dispute--it was also instrumental in propelling the Kachin into open revolt--between the two countries. The most serious disruption of the neighborly relationship came during the Cultural Revolution. Chinese support for dissident movements in Burma tended to disrupt public order and strained relations. The CPB was born in this era of radicalism. Once the Cultural Revolution subsided, however, the Chinese attempted to assuage Burmese sensibilities and return to a more tranquil relationship.

Foreign interests in Burma have wavered between the legal and illegal, and among Burma's proximate neighbors and more

distant states. Because of a long indefensible border, Burma has always looked with special attention at China with its huge population. The changes in Burma coincided with the internal liberalization of the Chinese economy that put China in a position to be more responsive to new international opportunities and innovative marketing. China found these in Burma in the mid-1980's. It was in their mutual interests to foster expansion of this trade for mutual benefit.

When demonstrations and anti-government protests broke out in Burma in early 1988, finally culminating in brutal suppression of the movement by Government forces, the Chinese were faced with a new dilemma. On the one hand, they did not want to jeopardize their good relations with the Burmese government, and they had obvious interests in the continuation of the status quo. On the other hand, it soon became obvious that the disturbances were a serious threat to the government, that they could continue, and that discontent was so deep in Burmese society that the opposition might well be successful. The incidents took place in the context of larger problems of economic stagnation and political powerlessness afflicting Burmese society. Against this general background, the demonetization of 80% of the currency in the fall of 1987 had alienated many groups, especially students.

Initial Chinese reaction was to disavow the existence of the mass disturbances occurring in Burma--it was business as usual. However, as the demonstrations and violence

intensified Beijing was forced to admit the extent of the unrest and the need for economic reforms and a change in leadership--not necessarily a multi-party system or democracy.

Shortly after General Saw Maung took power and imposed martial law in Burma on September 18, 1988, the Chinese ceased reporting on the unrest and violence. China began to focus on issues of a normal relationship, especially cross-border trade and visiting delegations and leaders. Since Beijing was unable--or unwilling--to influence the course of events in Rangoon, it chose to make the best of a bad situation and repair its ties with the government.

Those ties have grown stronger as China and Burma have consolidated control. The Burmese have undertaken significant economic reform and cross-border trade, especially with China. This new Chinese economic influence is accompanied, however, by new problems: a budget deficit at 15% of GDP and inflation running at 60-70%.

A senior Burmese military delegation visited China in October 1989 indicating the early stages of a military alliance between Beijing and Rangoon, signaling a shift in Burma's non-aligned foreign policy. It remains to be seen whether such a new relationship has developed beyond the level of massive arms sales. India, which made its sympathies for the protestors clear in 1988, would be a major loser in such a situation.



China's primary interest in its relations with Burma seems to be the maintenance of good relations regardless of the ideology of the government in power. The realist, opportunistic approach taken by China protects her security and economic interests by ensuring the presence of a friendly neighbor on its southern boundary.

From Rangoon's vantage point there were also strategic reasons for renewing relations. Placing the trade routes to China back under Burmese control would not only provide needed consumer goods to the Burmese urban populations--whom the government needed to placate; it would also place profits in the hands of those Rangoon wished to reward, and deny the trade to the Kachin rebels and the other insurgents active in the region. To this end the Rangoon and Chinese authorities unobtrusively began to clear and hold the critical trade routes between the two states in concerted military operations on both sides of the border.<sup>104</sup> China used the pretext of suppressing the drug trade, while quietly offering the hardline BCP leaders a sound "retirement opportunity".<sup>105</sup>

The volume of this Sino-Burmese trade has become highly significant. It was regularized between the two states in

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<sup>104</sup> Lintner, Bertil, The Rise and Fall of the Burmese Communist Party (Ithaca: Southeast Asia Program, Cornell University Press, 1990) 35.

<sup>105</sup> IBID., 45.

October 1988, by the SLORC--although the plans had been made by the previous government. Burma announced in December 1989 that the annual volume of this trade was about US\$300 million--but observers estimate it at closer to US\$1.5 billion. It became almost half of all the smuggled trade in Burma, which in itself probably totaled about 40% of GNP.<sup>106</sup> The government has yet to fully capitalize on this trade, as much of it is still in black market trade.

#### **B. THAILAND: MILITARY BROTHERHOOD?**

Thailand's motivation seems a bit more complex. In an historical context, the brutality of prior Burmese invasions of Thailand have never been forgotten. But of late, the Burmese border was considered of secondary importance compared with the borders with Cambodia and Laos due to the Thai's fear of Vietnamese aggression. In spite of their neutralism, if Rangoon would not establish a politically conservative government, the next best option was to provide subtle support for a low-level insurgency along the Thai-Burmese border. With the border firmly in the hands of more moderate elements Thailand was insulated from Rangoon--although, formal ties were maintained between the two governments.

Beyond the economic gains and financial rewards for those calling the shots are larger issues. Thailand is concerned

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<sup>106</sup> Steinburg, David I., "International Rivalries in Burma", Asian Survey, Vol. XXX, No.6 (June 1990) 594.

that a Burmese state under Chinese economic and military influence would not only interfere with a "baht sphere of influence" in Southeast Asia, but could also bring pressure on Thailand from China on another front. Thus, the Thai economic and security interests merged and dictated an active, collaborative economic relationship with Burma.

The recent logging and fisheries concessions came at a time when Thai lumber and fishing industries were on the verge of shutdown. In November, 1988, Prime Minister Chatichai Choonhaven's government revoked all logging concessions within the Thai borders after heavy rains had devastated low-lying areas with floods. The political turmoil which followed was not resolved until the following month, when General Chaovalit went to Rangoon--less than three months after the bloodbath--to barter for logging concessions.<sup>107</sup> Notable is the high proportion of companies affiliated with high ranking Thai military and government officials.

The Thai rush for resources in Burma has been accomplished at the expense of the ethnic minorities whose long struggle against the Rangoon government had formerly been quietly supported by the Thai military as part of Bangkok's own national security policy. Karen leaders now claim that part of the economic deal involved Thailand assisting Burmese troops to clear out ethnic minority groups, like themselves,

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<sup>107</sup> McDonald, Hamish, "Partners in Plunder", Far Eastern Economic Review (22 February 1990) 16-17.

and the Mon tribes, along the border. These groups have financed their armed struggle against the Burmese regime by small-scale logging, and taxing the lucrative black market trade in gems, jade, and high-value consumer items which pass through their check points.

Karen leaders and Burmese students, who fled Rangoon after the military crackdown and have been living along the border, claim that the Thai military has turned a blind eye to Burmese troops crossing into Thai territory to attack their camps. During the past rainy season, the Karen have lost seven of their nine border strongholds, while the students have lost their two main bases.<sup>108</sup> To keep the option of reactivating the minority challenge to Rangoon alive, the Thai army may not allow the Burmese to complete the sweep. The main objective seems to have been to keep the trade routes open--Chiang Rai, Mae Sot, Three Pagodas Pass, and Tanong--with a secure area around them,<sup>109</sup> and to cut as much timber for as long as it lasts or until the fragile relationship crumbles.

To protect their fishing fleet from pirates and other hazards, and secure their economic interests the Thai navy has contracted with a German firm for the purchase of a helicopter carrier. This carrier will extend their security zone out

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<sup>108</sup> IBID.

<sup>109</sup> McDonald, Hamish, "Selling out Old Friends", Far Eastern Economic Review (22 February 1990) 21-22.

into the Andaman Sea and the Gulf of Thailand. Beyond protecting their fishing fleet the purchase of the carrier will provide the center piece for Thailand's new naval force structure. The force modernization program reflects a shift in emphasis from internal security and counter-insurgency to conventional warfare. This shift, prevalent throughout Southeast Asia, is primarily due to the move towards declining U.S. presence in the region. Border disputes, territorial infractions, and protection of one's own economic and security interests will depend on one's own military and diplomatic capability. This carrier will provide much greater mobility for the types of forces required in these new security roles.

Thai policy towards Burma, though on the surface seemingly a military dominated foreign policy, is more focused than previously thought. The Thais defend their actions and argue that to enforce the economic embargo would plunge Burma into anarchy and disintegration. This is the same approach ASEAN has supported, hoping that positive engagement would persuade the SLORC to mend its ways. This regional viewpoint remains unconvincing; despite years of accommodating the SLORC there has been no lessening of internal repression.

### **C. INDIA: THREATENED AMBITIONS**

Although India is also a non-aligned nation, relations with Burma have been complex. They are confused by the legacy of the colonial period in which there was major Indian



migration into Burma and Indian nationals had control over much of the economy, and civil service.

The Burmese perceive India as a major threat to their security. Their mutual border is home to several ethnic minorities, including the Naga, Chin, and the Arakanese. There are unconfirmed reports of Indian support to the Chin and Naga rebels along the Indian-Burmese border.

Shortly after the 1962 coup, the military government, began a campaign to eliminate Indian influence in the Burmese economy, and some 200,000 people from the subcontinent were forced to flee. New Dehli intervened with the threat of force; some refugees were allowed to return, although most did not. Ethnic minority persecution and human rights violations are issues which have provided grounds for additional antagonism between the two nations.

Relations have been further muddled by an increased Indian strategic and military role in the region. India may have additional motives for its antagonism to the present Burmese government, but its strategic interests are paramount. India's force modernization is directed towards making India the dominant power in the Indian Ocean, as well as a major stabilizing force in the Southeast Asian region. According to the integrated Defense Perspective Plan the ultimate goal is for the Indian armed forces to have the capability to sustain



a war on two fronts--Pakistan and China--without any external military or diplomatic dependence.<sup>110</sup>

Along these lines, strong Chinese and Pakistani influence in Burma is seen as a direct threat to Indian security. It is probable that India regards the Chinese economic penetration of Upper Burma with considerable alarm, both as a potential omen of overly strong Chinese political or even military interests in Southeast Asia and as an economic flanking movement on India's eastern front. China's potential influence in Burma also undercuts India's perception of its own regional role and potential as a power. Should China gain access to the Andaman Sea New Delhi could feel threatened. How the Indian administration will respond to Burma's ongoing military buildup remains unclear.

Finally, in the past few years, the quantity of opium and heroin crossing into India has increased markedly. Most of the drugs are bound for Europe, Africa, and the Middle East; however, the amount that falls through the cracks, remaining in India, has the addiction population sky rocketing and the authorities worried. The permeable borders between them make interdiction almost impossible, while the Indian Ocean ports allow for easy access to the rest of the world.

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<sup>110</sup> Indian Political Journal

#### D. JAPAN: PERSONAL TIES MAY NOT LAST

A unique relationship exists with Japan which seems to be based more on irrational emotions rather than sound principles. In the 1930's Tokyo was instrumental in fostering an independence movement against Great Britain. The Thirty Comrades--among which was Ne Win--trained in Japan and participated in the Japanese invasion of Burma in 1941. Although the nationalists later turned against the Japanese, many have maintained close personal ties with Tokyo. These relationships have helped to foster the close economic bonds between the two countries.

Japan has been Burma's primary donor since the mid-50's. In 1986 Japanese aid peaked at U.S.\$244 million, or 6.3% of all Japanese foreign assistance.<sup>111</sup> This tremendous volume of aid was responsible for keeping the Burmese economy afloat throughout the 'Burmese Way Toward Socialism' era. Without the aid from Japan Burma's inefficient state-run system would have collapsed. Tokyo informed Rangoon, in March 1988, that unless reforms were initiated the aid would be terminated. September's repression saved Tokyo from making any hard decisions.

Without aid, or any source of hard currency, the SLORC was soon deeply behind in repayments. By 1989 Burma had over U.S.\$5.3 billion in foreign debt--and interest accruing at a

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<sup>111</sup> Lintner, Bertil, "The Odd Couple", The Far Eastern Economic Review (11 July 1991) 39.

rate of over U.S.\$8 million a month.<sup>112</sup> Then, unexpectedly, Japan recognized the SLORC and partially restored aid by helping to restructure some of Rangoon's outstanding debt. Although no new aid was given the move did relieve some of the pressure; it also gave the regime a small degree of legitimacy in the international arena.

The old personal relationships should not be overshadowed by these actions, however. Sound financial principles are pushing the old sentiments aside. The emotional alliances are becoming a thing of the past as more post-war leaders--in both countries--come into power. The Japanese--apart from the leadership--are beginning to realize that the SLORC cannot continue on its present path much longer; if relations are going to continue they will have to be based on rational decisions, unlike the past.

#### **E. ASEAN: TIME TO TAKE A STAND**

So far the ASEAN states have refused to condemn the Burmese Government for its severe human rights violations. For the most part, they have continued their political and economic relations based on the premise that only positive engagement will persuade the regime to change its policies.<sup>113</sup> The ASEAN charter contains a provision for the

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<sup>112</sup> IBID.

<sup>113</sup> Muthiah Alagappa, "Confronting the SLORC", Far Eastern Economic Review (28 November 1991) 28.

management of regional peace, security and stability among its members. This is to be accomplished according to "certain prescribed, universally-valid principles, namely mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of all nations; the right of every state to lead its national existence free from external interference, subversion or coercion; non-interference in the internal affairs of one another; settlement of differences or disputes by peaceful means; renunciation of the threat of force or the use of force; and effective cooperation among members."<sup>114</sup> While Burma is not a member of ASEAN, the organization has extended these principles to include all sovereign nations, especially those within the region.

Recent pressure has been applied to ASEAN by Western governments, primarily the U.S. Government, to push the SLORC toward reform. It has been suggested that ASEAN needs to communicate to the SLORC, that if the repression continues, the association would be forced to take collective political action, including a political and economic embargo.<sup>115</sup> If ASEAN is sincere about its desires to assume a leadership role

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<sup>114</sup> Jawhar Hassan, "ASEAN as a Factor for Peace, Security, Stability and Cooperation in Southeast Asia", Myanmar and the Wider Southeast Asia (Kuala Lumpur: Institute of Strategic and International Studies, 1991) 4.

<sup>115</sup> Alagappa, "Confronting the SLORC", 28.

in Southeast Asia, it must act now to help resolve the unrest in Burma, in spite of its charter.

#### **F. OTHER REGIONAL INTERESTS**

A number of other regional nations have been active in Burma in recent years, despite the existence of an economic embargo. Pakistan has been supplying arms to the Burmese military--whether on credit or for cash is not known. Sufficient numbers of Pakistani arms have been captured by the Karen insurgents to indicate that they are an important supplier to the Burmese military.

Bangladesh has also figured into the new economic and political relations with Burma. The two countries entered into a new \$20 million counter-trade agreement on 1 June 1989, to encourage the legal expansion of economic relations,<sup>116</sup> in spite of border tensions. In 1978 Muslims fled in large numbers to Bangladesh to avoid the wrath of the Burmese military. The military claimed they were conducting a routine sweep for illegal immigrants, forcing nearly 200,000 to move to the neighboring country--many of whom were able to show proof of Burmese citizenship. Those in the refugee camps along the border told of killings, rape, and arson committed by the Burmese military.<sup>117</sup> The most recent campaign

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<sup>116</sup> IBID.

<sup>117</sup> Lintner, Bertil, "Diversionary Tactics", Far Eastern Economic Review (29 August 1991) 26.

seems to have begun two years ago, when the SLORC started moving people into new satellite towns to effect more control over the population. Thousands of Muslims were resettled at sites that lacked sanitation, safe drinking water, and other basic facilities after the army had moved in and razed their villages. Border refugee camps estimate over 16,000 displaced muslims now live in the camps with thousands more likely to come after the rainy season--end of December.

South Korea has moved rapidly into Burma with the signing of the first oil exploration contract, and its role is likely to grow. There have also been reports of South Korean arms shipments to Burma<sup>118</sup>--Seoul has been taking advantage of the lack of foreign investment to obtain favorable terms. In the past few months South Korean firms have signed two, multi-million dollar joint ventures with Burma, one for producing textiles, and a second will process timber for plywood and other wood products.

Malaysian and Singapore firms have established joint ventures with the Burmese, and there have been additional reports of Singapore arms shipments to the Burmese military.<sup>119</sup> On 5 March 1990, the Chief of the General Staff of the Singapore military paid a visit to Burma at the invitation of General Saw Maung, Chairman of the SLORC. It is

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<sup>118</sup> IBID.

<sup>119</sup> IBID.



also probable that Taiwanese firms have moved investments into Burma through the overseas Chinese communities in Thailand, Singapore, and Malaysia.<sup>120</sup>

Other countries which are reportedly shipping arms to the Burmese military include; Yugoslavia, Poland, and indirectly Sweden and Japan, with dual use items (such as patrol boats with deck plating for gun mounts), and by re-export of their products by other countries.<sup>121</sup> The longer these countries are allowed to sell arms to Burma's brutal military regime, the longer the SLORC will have the power to stay in business. This will make it all-the-more difficult to begin meaningful rural development programs, and, ultimately, a successful counter-narcotics programs.

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<sup>120</sup> Steinburg, David, "International Rivalries in Burma", Asian Survey, VOL. XXX, NO. 6 (June 1990) 599.

<sup>121</sup> IBID.

## IX. PAST U.S. COUNTER-NARCOTICS POLICY

The Department of State provides anti-narcotics assistance to foreign governments, under the Foreign Assistance Act of 1961, to reduce the flow of dangerous drugs into the United States. Initially, the State Department provided Burma primarily helicopters and transport aircraft. In 1985, the U.S. began providing spray planes and herbicide for the aerial eradication of opium poppies.<sup>122</sup> In September of 1988, the United States suspended the funding for the anti-narcotics assistance program, as well as other programs, after the Burmese army violently suppressed anti-government demonstrations.<sup>123</sup>

Western narcotics officials say opium production in the Golden Triangle, which includes areas of Thailand, Burma, and Laos, has doubled since the 1987-88 harvesting season when it reached 1,200 metric tons. In 1988-89, a bumper crop of 2,400 tons was harvested in the Golden Triangle. This year was another record-breaking crop, exceeding last year's mark by

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<sup>122</sup> Committee on Foreign Affairs: House of Representatives, "U.S. Narcotics Control Efforts in Southeast Asia" (Washington, D.C.: U.S. Government Printing Office, 100th congress, 1st session, 30 June and 15 July 1987), 53-71.

<sup>123</sup> Subcommittees on Human Rights and International Organizations, "The Crackdown in Burma: Suppression of the Democracy Movement and Violations of Human Rights" (Washington, D.C.: 101st Congress, 1st session, Sept. 13, 1989) 54-72.

several hundred metric tonnes.<sup>124</sup> In early 1987, John Lawn, director of the U.S. Drug Enforcement Administration (DEA), called for "no mercy" in the U.S. war on drugs. He urged the governments of Southeast Asia's opium growing region to be more willing to take on hostile poppy growers in armed confrontations. On 30 January 1987, Bangkok's Nation newspaper featured a photograph of then U.S. ambassador to Bangkok William Brown handing a U.S.\$1.8 million check to a smiling official from Thailand's Office of Narcotics Control Board.<sup>125</sup>

Shortly afterwards, the Bangkok media reported that Burmese Government forces had attacked the headquarters of opium warlord, Khun Sa in his Burmese stronghold, located just across the border from Thailand's Mae Hong Son province. Casualties were high, the newspapers reported, and Burma had agreed to allow Thai troops to enter Burma in "hot pursuit of drug overlord Khun Sa."<sup>126</sup> By mid-March, the Thai military authorities declared that the anti-Khun Sa drive had been a success.

In April, however, a foreign visitor to Khun Sa's Homong headquarters was astonished to find no damage to the camp. Asked about the recent fighting, the warlord laughed and said:

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<sup>124</sup> Richardson, 17.

<sup>125</sup> Bertil Lintner, "A Fix in the Making", Far East Economic Review (28 June 1990), 20.

<sup>126</sup> IBID., 21.

"Oh that. That was a newspaper war."<sup>127</sup> Since then, the United States attitudes have hardened and a more critical mood has been focused on Thailand; most notably at hearings on narcotics in Washington on March 9, 1990, Melvin Levitsky, assistant secretary of state for narcotics matters, said: "The problem in Thailand now is ...increasing reports of corruption...It is very clear that, particularly along the Burma border, there is collusion between some high-level and some low-level Thai officials and the traffickers."<sup>128</sup>

#### A. CIA INVOLVEMENT

It has yet to be proven the CIA directly involved itself in the drug traffic to finance its operations; though the evidence is very convincing of its connivance. The CIA's role in the heroin traffic was an inadvertent, but almost inevitable consequence of its cold war tactics. Since 1970, failure of DEA suppression efforts combined with CIA complicity in global narcotics trafficking allowed world opium production to multiply fourfold to 4200 metric tonnes in 1989. Of that total, 73% came from Southeast Asia, where for a quarter-century the CIA had worked closely with the region's drug lords.<sup>129</sup>

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<sup>127</sup> "U.S. Narcotics Control Efforts in Southeast Asia", IBID., 4.

<sup>128</sup> IBID., 5-9.

<sup>129</sup> McCoy, 19.

U.S. counter-narcotics efforts in the past have had mixed results in part because of ambiguous signals and varying national security priorities. The need for intelligence has often superseded the efforts in counter-narcotics. Information obtained by one agency may not be available to others, regardless of the value of that information to those agencies. The CIA is one case in point; the agency is ultra-secretive and very protective of its sources, often overlooking their underworld connections. As pointed out earlier, information would have been difficult to garner without the assistance of the KMT. Attempts by DEA agents to move against remnants of the KMT and other druglords have been thwarted by lack of CIA cooperation and in some cases, direct interference.<sup>130</sup>

The indictment of Khun Sa on drug charges by a U.S. court in December 1989 reflects the growing concern in the U.S. over this dilemma, and the fact that Washington has, for too long, placed official complicity in the drug trade below security considerations. Narcotics officials in Southeast Asia are becoming increasingly concerned about what seems to be official connivance in the drug trade.

It would be impossible to move such vast quantities of narcotics without such collusion. Smugglers of jade, precious

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<sup>130</sup> Interview with Drug Enforcement Agency (DEA) operative in January 1991. His name has been withheld at his request.

stones, and consumer goods pay their bribes to Burmese army and police officials; it is surmised heroin smugglers utilize the very same contacts. The official Burmese government stance is a hard-line against the industry. To prove their point, the Rangoon government refute the Western estimates of its opium production. The official Working People's Daily of 11 March said: "According to 1990 statistics, the tonnage produced [in Burma] would be around 280 metric tonnes" or, in other words, only 14% of Western estimates.<sup>131</sup>

Enforcement efforts by the Burmese government have had little effect on narcotics trafficking. From 1984 to 1987, the Burmese Army and police annually seized an average of about 1.5 metric tons of opium--less than 1% of total annual yield, and destroyed about five refineries. These actions did little to reduce Burmese opium trafficking.<sup>132</sup>

Charles B. Rangel, chairman of the select committee on narcotics abuse and control in the U.S. House of Representatives, said that Congress is "concerned about the explosion of opium and heroin that has been redistributed through Thailand". He acknowledged that Thailand has sharply reduced drug production within its own borders, leaving Burma

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<sup>131</sup> "Officials Destroy \$190 Million Worth of Drugs", FBIS-EAS-91-128 (3 July 1991) 42.

<sup>132</sup> IBID.



and Laos as the major sources of Southeast Asian opium.<sup>133</sup> However, Thailand is still a key link for the heroin industry to the Western markets. Southeast Asian drug barons, are using their huge profits from the sale of narcotics to buy advanced weapons and bribe officials; they have access to equipment and money which many police and drug enforcement agencies cannot match. Where the interdiction agencies must work within fixed budgets and relatively slow procurement procedures, smugglers can acquire personnel and state-of-the-art equipment as rapidly as the market permits. Well organized and powerful drug cartels continue to increase profits by developing new markets. World-wide traffic in drugs is now second only to that in armaments.<sup>134</sup>

Cooperative efforts by the Thai and U.S. drug enforcement agencies have produced limited results. During the six month period ending March 1990, roughly 300 kilograms of heroin were seized--an amount approximately 1/8th of 1% of the year's production.<sup>135</sup> European drug enforcement agencies have also seen limited results for their efforts, with 1.75 metric

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<sup>133</sup> Richardson, 17.

<sup>134</sup> Margaret J. Anstee, "A World War Against Drug Abuse", U.N. Chronicle (March 1990), 83.

<sup>135</sup> Richardson, 17-18.

tonnes--1986 was a record year for heroin seizures in Western Europe.<sup>136</sup>

Asia has become more attractive to money launderers. In many Asian countries money laundering is legal. It is attractive to governments because it allows them to quickly build their banking systems, which in turn helps their economies. Financial considerations add to historical apathy and a lack of cooperation with the West on legal matters such as drug trafficking.<sup>137</sup> Burma has now opened its doors to money launderers; offering a one time "tax amnesty"--no questions asked--the SLORC has attracted funds from drug traffickers.

"We must face up to the fact that we are losing, not winning, the war against heroin in Southeast Asia", said Daniel A. O'Donohue, the U.S. ambassador to Thailand, in a speech December 1987.<sup>138</sup> A new approach must be taken.

If headway is to be made in the war on drugs, the future U.S. counter-narcotics policy must address the issues which have been discussed in this thesis. However, before that policy can be formulated, the U.S. must contemplate the future of Burma; more specifically, what impact will current policy

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<sup>136</sup> International Narcotics Board Report, "Drugs Destroy: Say No!", U.N. Chronicle (June 1988), 71.

<sup>137</sup> Michael Duckworth, Asian Wall Street Journal (9 December 1991) 14.

<sup>138</sup> IBID.

have on the development of the country given Burma's present state of affairs.

## X. BURMA'S FUTURE: SLORC HANGS ON TO POWER

This chapter will attempt to forecast the most probable direction the SLORC will proceed in the foreseeable future. It will also try to anticipate the reaction of the people currently living in state of terror, under this repressive military rule. Steps, which are sorely needed for Burma to climb from the depths of its deteriorated state, will also be discussed, as will the probability of reforms actually being implemented.

If development is to improve rather than exacerbate internal security problems, and also provide a domestic situation stable enough to furnish a basis for defense against external threats, development planning and policy must emphasize strategies aimed at improving social justice as well as economic growth. It needs to be recognized that development will only improve internal security in the long term if it helps to equalize differentials in wealth between regions, ethnic groups and classes.

The lack of experienced policy makers within the government structure, as well as its refusal to heed external advice, has meant that the SLORC does not possess the intelligence or the wisdom required to conceive the tough economic decisions needed to turn the failing economy around.

For instance, the overvalued exchange rate is one of the main obstacles to reducing inflation, and increasing production and foreign investment. Instead of devaluing the Kyat, the SLORC has simply printed more currency to cover its exorbitant expenses.

#### A. SIX STEPS TOWARD PROGRESS

Leading Burma specialists have attempted assess the future of Burma and set guide-lines for development and measures needed to initiate productive change--if Burma is to have any future at all. Josef Silverstein suggests that Burma has six major hurdles to face in the 1990's. These include: (1) the transfer of power to an elected civilian government; (2) the peaceful settlement of the civil war; (3) drafting and accepting a new constitution which does not repeat the mistakes of the past; (4) the formulation of an economic and development policy; (5) rebuilding society and the educational system; (6) finally, ending opium production.<sup>139</sup> Each of the identified challenges deserve a brief discussion, as does their potential for success.

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<sup>139</sup> Josef Silverstein, "Myanmar's (Burma's) Six Domestic Challenges in the 1990's", Myanmar and the Wider Southeast Asia, ed. Rohana Mahmood and Hans-Joachim Esderts (Kuala Lumpur: Institute of Strategic and International Studies (ISIS) Malaysia, 1991) 11-22.

## 1. Transfer of Power

It is highly unlikely the SLORC would be amenable to a transfer of power within the next five years--for all the reasons previously mentioned. The elections of May 1990 indicated, with little doubt, the majority of the people are anti-SLORC; they are tired of the inept, unqualified government they have been forced to endure for over three decades. There can be no meaningful discussion of Burma's future until the military accepts the will of the people and transfers power to the rightful leaders. If a transfer of power is to take place, however, it will not be executed voluntarily.

Unless rocked by a cataclysm which incites its people to rise up against the SLORC, Burma will remain under the heavy hand of its military rulers for the foreseeable future. There are two likely incidents which, if they occur, have the potential to unseat the SLORC, or worse, throw the country back into a violent struggle for its survival. The first likely event to occur is the death of Ne Win; this option has the most potential to become violent, as his successors struggle for control. This situation is similar to that in China; many are simply waiting for their leader, Deng Xiaoping, to pass away before initiating further reforms or making a play for power.



The most likely heir to Ne Win's throne is Major General Khin Nyunt, head of the infamous DDSI and reputed to be the most powerful member of the SLORC. His secret police and spy network are on a par with those of the past governments of Romania and East Germany. He has no altruistic plans for the future of Burma save his own continued rise to riches and power. Khin Nyunt is already reputed to be one of the richest men in Burma with hundreds of millions of dollars from bribes, black market operations, and narcotics trafficking allegedly stashed in Swiss banks. If he is successful in replacing Ne Win, the reign of terror will continue and Myanmar will slide deeper into its abyss. Another spark which would ignite a renewed outbreak of anti-government violence would be the untimely death of imprisoned opposition leader, Aung San Suu Kyi. The recent recipient of the Nobel Peace Prize, the Sakharov Prize, and the RAFTO Peace Prize has been imprisoned under strict house arrest by the SLORC for almost two and one-half years, and is revered by the people. Her enormous popularity is rooted in her heritage--her father, Aung San is worshipped by the Burmese. But it was her compassion and ability to articulate the frustrations felt throughout Burma that propelled her to the forefront of the opposition party, the NLD.

The government arrested her as a threat to the security of the state. Upon accepting the award for his mother, her son eloquently described her role in shaping Burma's future, "...by her own dedication and personal sacrifice she has come to be a worthy symbol through whom the plight of all the people of Burma may be recognized."<sup>140</sup> She has addressed the plight of minorities and is anxious to negotiate a settlement to end the civil war. She recognizes the flaws within the government, the poor state of the economy and the needed reforms required to initiate an extensive reconstruction program. Aung San Suu Kyi has done her homework; she has spent her life carrying on in her father's footsteps, not for personal gain, but for her people. If any single individual has the charisma to unite Burma under a single banner, it is she.

Should harm come to her while she is confined, it is believed the people will rise up against the government, possibly causing its demise. If, however, she is freed and allowed to implement the democratic changes she has proposed, Burma's future could turn around almost over night. She has the educational background and the wisdom to make the needed reforms;

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<sup>140</sup> John Tagliabue, "Son Picks Up Nobel Prize For an Unfree Burmese Dissenter", The New York Times (11 December 1991) A7.

she also possesses exposure to the outside world that allows her insight the current regime lacks.

## **2. Ending the Civil War**

A peaceful settlement to the civil war--the second challenge to the Burmese to overcome--is as unlikely as a transfer of power. There are many causes for the war. Promises that were made--and later broken--at Panglong included political equality, the right to preserve and protect traditional cultures and languages and to enjoy a wide range of autonomous government in their own areas. However, one after another, the minorities found their lands invaded, their people violated and their territory under military rule. Unequal treatment in national development plans, the concentration of educational centers and the location of new industries in Burman-dominated areas all contributed to a breakdown of trust and provoked war. Even the army, which under the British was organized on the basis of race, was Burmanised after 1949, and few, if any, of the minorities were able to rise to high positions.<sup>141</sup> From the outset the army has seen the minorities as destroyers of the union, because many in revolt were, at times, allied with the now defunct CPB. The military saw

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<sup>141</sup> Interview with retired Burmese army officer, Mr. Edgar Gaudoin, in December 1991.

them as enemies of the state and sought to defeat them and then to integrate their territory into a unified state, rather than trying to understand their complaints and responding to them.

It may seem contradictory that, with peace restored to several former war zones in the frontier regions, the SLORC should be rapidly increasing the strength of its armed forces. But these developments are consistent with Rangoon's previous strategies: a strong army, freed from counter-insurgency duties in the frontier areas, is needed to preserve the military's supremacy in the central Burman heartland. The civil war will continue despite the military build-up; the grievances of the opposition parties will not dissolve under threat of, or use, of force; development cannot take place while the war continues. Negotiations to resolve the internal differences can proceed only in a non-hostile atmosphere. Only when the war really ends can the nation take the next step and begin the process of writing a new constitution, the third obstacle to overcome.

### **3. Writing a New, Improved Constitution**

The difficulty in writing a new constitution lays in defining the issues which have divided the nation since independence, and in finding solutions so that

the political process and not war will be the solution to future problems in Burma. Three major issues which need to be resolved are the division of political power, property and taxation rights, and police and defence powers. This process will indeed take some time, but that alone should not be used by the military as an excuse to hold on to power during the period of deliberation.

While the SLORC stalls the process of writing a new constitution, it has not slowed its drive to subjugate all rivals. The National League for Democracy, Burma's main opposition party, which swept the polls in May 1990, is a mere shell of its former self. Since the election, much of its leadership has been detained, arrested, or picked up for interrogation--including torture--while its membership, along with the population have been cowed into submission by the military. Most other pro-democracy movements have shared the same fate and have, for all intents and purposes, collapsed. Opposition to the government has ceased to exist--at least on the surface. The government has unmercifully crushed all dissent in the urban areas, and is keeping the lid on with large contingents of troops stationed within the cities. The military also has the manpower available to step up its attacks on the more troublesome insurgencies-

-as it has in the past year--keeping them at bay while it sells the county's resources to all comers. While these practices are detrimental to the growth and stability of Burma, this strategy is most likely going to continue while the SLORC searches for the means to maintain its viability. Therefore, continued repression of the people will probably continue--allegedly for the sake of stability, and the good of the nation.

#### **4. Implementation of Economic Reforms**

The fourth hurdle for Burma to maneuver is the economic development policy for future growth. To surmount the internal instability created by the civil war and economic decay the government must introduce reforms and make concessions along the very lines demanded by the various discontented groups. In this case, compromise, would appear to be a preferable alternative for Burma rather than its continued decay and probable collapse.

Shortly after assuming power in 1988, the SLORC announced economic reforms which, it promised, would launch the country into recovery. Initially, these reforms had an impact on foreign investors interested in a share of Burma's potential growth and development. After the initial fervor, international enthusiasm waned, not yet convinced of the SLORC's sincerity, or its



ability to provide a stable environment for investments. Confidence in the new regime is lacking despite the leadership's ambitious development plans and the relative calm--inspired by fear--the military has brought to the land. Most of the approved projects have yet to gain momentum owing to this uncertainty; although, they have been highly publicized in an attempt to add a measure of legitimacy to Rangoon's government. Additionally, the reforms initiated by the SLORC have been politically motivated and are founded on less than sound economic principles.

Few investments from external sources have progressed beyond the planning stages; most of those that have made headway have exploited the vast resource wealth of the country. Petroleum exploration has funded a significant share of the growth and modernization of the military; the lavish signature bonuses, allowed the military to purchase the hardware it required to stay in power. A large portion of potential future proceeds have been mortgaged to pay the balance of its newly acquired debt. The SLORC seems to be gambling its entire future on new oil discoveries. According to most sources, prospects for finding significant reserves look good. Although actual production may still be several years away, the government has been able to profit in the short-term by

mortgaging some of the potential long-term production.

If the reserves are proven, and production begins within a short period, the SLORC will have the financial support it needs to stay in power for the foreseeable future. The looming question is: will the SLORC have the means to continue its modernization program until the new oil reserves are found? The teak and fisheries concessions given to Thai and Chinese business ventures are being exploited as quickly as possible, taking advantage of bargain prices and the prevailing dire straits of the regime. The 'economic partnerships' are not permanent or intended to be enduring for any of the actors involved. The SLORC simply needs hard currency to stay in power; it does not care where the cash comes from. While the sources of the hard currency care little for the destruction and hardships they cause within Burma by their actions--whether directly or indirectly.

The current state of economic affairs is bleak; many deep-seated problems endure that must be resolved before recovery can be initiated. The country's civil war and ethnic insurgencies still thrive, as does the opium trade, while the military refuses to relinquish its choke-hold on the people (still believing the military is the solution and not the problem). Formulating a solution to Burma's economic woes is made

difficult because so many of Burma's problems are inter-related; possible solutions are complex, and warrant addressing other problem areas as well.

The very depressing state of the economy has been studied by various specialists who suggest that, although excessively ill, Burma's economic forecast is not necessarily hopeless. U Tun Wai, a veteran International Monetary Fund (IMF) official and international economic consultant, singles out government mismanagement of the economy as the fundamental reason for the failure of the economy. In general, he points to the investment and savings policy, fiscal policy, the management of the SEE, monetary and pricing policy, and balance of payments and exchange policy in particular. He further suggests that his systematic "stocktaking" of the strengths and weaknesses of the economy may be used as a basis for prescribing a pragmatic framework for medium-term economic programming in the next three to four years.<sup>142</sup>

Myat Thein, a resident economist in Rangoon, explains his belief that the financial sector in Burma today is less developed than the one which existed in 1963, before nationalization, and the fiscal deficits

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<sup>142</sup> Mya Than and Joseph L.H. Tan, "Optimism for Myanmar's Economic Transition in the 1990s?", Myanmar Dilemmas and Options (Singapore: Institute of Southeast Asian Studies, 1990) 9.

have been largely to blame for the twin problems of internal and external imbalances. He feels that the over-extension of the public sector, particularly to the SEEs, is responsible for the fiscal deficits. He proposes a "supply-leading" type of financial development as the single most important aspect of monetary policy development in the 1990s.<sup>143</sup>

Several other economists suggest that improper agricultural marketing policies, in particular the pricing policy, was one of the key problems which dragged the economy into collapse. They found that Burmese farmers were responsive to marketing policy and prices, and the government's interventions in the agricultural sector seemed to hinder its development. This finding is bolstered by a study by Tin Soe and Brian S. Fisher, who studied the development in rice price policies and their impact on production, procurement, and export and the domestic use of rice in Burma during the period 1948-87. Their research unambiguously showed that rice policies prior to 1961/62 contributed to growth of the agricultural sector, while those adopted after 1962/63 had serious consequences for the industry as a whole.<sup>144</sup>

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<sup>143</sup> IBID.

<sup>144</sup> IBID.

Other leading Burmese economists point out the primacy of politics over the economy, a weak administration, consequences of the nationalization of all trade, industry, banking and education sectors, unviable and inefficient state enterprises, over-valued currency, inflation and the black market, as well as restrictive trade and unrealistic pricing policies as the contributing factors for the failure of the economy. Soe Saing, a former Ministry of Finance and Revenue official, also recommends that in order to overcome the impediments to economic recovery, it is essential to substantially increase external technical aid first before obtaining large capital infusions.<sup>145</sup> By doing so Burma will have the expertise available to put these development funds to better use. A likely candidate with the ability to furnish that kind of assistance is the United Nations.

In addition to technical assistance, other changes are needed before Burma will be able to increase its domestic savings rate, and attract much needed foreign investment capital. These include fundamental political and bureaucratic changes as well as significant improvement in the social, telecommunications, and transportation infrastructures,

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<sup>145</sup> IBID.

which are so important to the economic development and are so lacking within Burma. With no easy, clear-cut path to follow, a key starting point would be to address the political instability of the country, or, more to the point, the SLORC should turn power over to the duly elected government, and help to ensure a smooth transition.

## **5. Regaining Lost Societal Values**

The fifth area of concern is rebuilding the society and educational system. Throughout the three decades of military rule there has been a deterioration of values and a broad corruption of the people.<sup>146</sup> The government was unable to provide the necessities of life--food, clothing, and medicine--while the socialist market place could not provide employment to youth entering the job market. The blackmarket was able to provide these products and services and the people were forced to make use of it to survive. In the process the values of the Burmese people were undermined as they turned toward illegal trade, smuggling and graft to support their families. With economic reforms the blackmarket will become far less important as it is replaced by a functioning legitimate economy. New laws must also

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<sup>146</sup> Josef Silverstein, "Myanmar's Six Domestic Challenges", 19.



accompany these reforms to ensure all are treated equally, regardless of rank or position.

Despite past efforts to curb its success, the black market survives as an integral component in Burma's economic system. The black market continues to service the country better than the government could possibly hope to, under the current conditions. The SLORC acknowledges the market's success and has made no attempts to suppress the trade, lest it face renewed popular wrath--due to the lack of a suitable alternative to the blackmarket.

Besides serving as a conduit for consumer goods and many other hard-to-get items--which are available only outside the official government sources--many government and military officials use the black market as an additional source of income. To impose a crackdown would also mean facing opposition among those empowered to enforce the action. As is often the case with taking the path of least resistance, this is not the most beneficial course of action for the economy in the long run. The policy is, however, in keeping with the inept handling of the economy by military leaders during the past three decades; therefore, it will invariably remain as an essential non-action policy of the SLORC.

The sporadic closing of schools and universities is another problem which undercuts values and jeopardizes Burma's growth. The greatest potential threat seen by Rangoon remains the disgruntled students. The nation's youth have historically been able to turn mass opinion quickly by staging demonstrations which echo the complaints of the rank and file. In September 1988, the demonstrators were able to turn even some of the military, which had been sent in to quell the unrest. Major General Khin Nyunt, has vowed to initiate appropriate action against those causing unrest, or disturbances at universities or other public places.<sup>147</sup> In September 1988 "appropriate action" was taken when soldiers opened fire on unarmed demonstrators; thousands of students--as well as innocent bystanders--were massacred in Rangoon. In the past month, students again have taken to the streets to protest the incarceration of Aung San Suu Kyi; again the troops have opened fire on them killing untold numbers. It is certain the military will resort to the same tactics to quell student protests in the future. The military has manipulated the institutions to curb free speech and student demands. Again, they have ignored the issues at hand and have dealt with the situation by force rather

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<sup>147</sup> FBIS, "AFP: Junta Remains Fearful of Student Unrest", FBIS-EAS-91-065-A (4 April 1991) 29.

than diplomacy and negotiation. This strategy undercuts the foundations of the educational system and deprives the nation of its greatest resource.

An important obstacle to the implementation of the required political and economic reforms lies in the dominant political role of the armed forces. Why should the military leadership agree to restrain military expenditures and back fundamental economic, social and political reforms--in other words, voluntarily forgo some of the most important benefits of power? There are no easy solutions to this dilemma. The military has enjoyed increased pay and benefits to the detriment of the rest of society, which reinforces their position as the privileged elite. In fact, the armed forces believe they alone have the intelligence and skill required to nurture and guide Burma back to health--a misconception they have maintained since before gaining independence. They have been able to maintain their power by selling-off the country's natural resources to buy the weapons needed to carry out their repressive policies. As long as they are able to keep the opposition forces divided the SLORC will remain in power.

With this in mind; what is the future outlook for Burma? Will the SLORC persist in its singular crusade to stamp out all opposition? Or, will growing domestic and international pressure force a peaceful transition

of power to the duly elected democratic government? Clearly, the SLORC's recent moves to strengthen the military indicate it is pushing in favor of the former option. As indicated earlier, it has intensified its efforts to rout the insurgents. The government is comfortable with this strategy, it seems to be the only one they know, or are willing to use. The frail alliances Rangoon has fashioned with former insurgents and traffickers will last as long as both sides of the agreements are content with their personal gains, and no faction gains too much power within a given area.

Revisions are lacking in Rangoon's policies which do not allow for meaningful dialogue to with the ethnic minorities. The government cannot win an internal civil war in which it has for years leveled villages to prevent them from providing aid to rebel forces. Some of the demands of the insurgents are very rational and merit discussion between them.

A reversal of the routine brutal repression and human rights violations is mandatory for progress to be made in finding a solution to the civil war. The SLORC views "all is fair..." when it comes to its task of "deterring violence in the country, protecting the state from disintegration and thwarting all bids to retard progress in fulfilling the aspirations of the masses". They feel their efforts in this struggle

"have nothing to do with human rights." The government must realize that it cannot continue to rule from the barrel of a gun.

Finally, Burma's leadership has to come to terms with its inability to manage the country's economy. It must seek assistance from its educated class--although most are living in exile abroad--or from the industrialized nations of the world, or other outside organizations which have the expertise available. It must grant some degree of regional autonomy to the ethnic minorities in an effort to overcome the impediments to peace. Without these changes the SLORC is doomed to continue its rule under arms over an increasingly discontented and hostile populace. The opium industry will continue to thrive until the ruling party separates the complexities of the insurgencies from the intricacies of the opium trade. The insurgencies will continue to flourish, feeding off the growing discontent of the people.

## **6. Eradication of Opium**

The sixth challenge is purging the country of the opium industry and all associated activities. The

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<sup>148</sup> "SLORC's ' Nation Building Role Discussed", Foreign Broadcast Information Service, FBIS-EAS-91-092, 13 May 1991, 30.

industry has served a very few individuals very well for decades; it has also contributed significantly to the country's decay. Opposition groups have pledged that when the civil war ends, they will work towards eradication of opium production--as long as a viable alternative exists.

The United Nations has pledged to contribute funds for border development programs in Burma which will yield alternative sources of income for the inhabitants of the growing regions, and infrastructure projects which substantially improve the quality of life in those regions.

The remaining catch is, of course, the civil war still rages on with no indication of a break in the fighting, the SLORC refuses to relinquish power, and the brutal repression continues. Until the SLORC is able to come to terms with its opponents through negotiations the sixth challenge is insurmountable.



## X. CONCLUSION: U.S. Policy in Burma

### A. COUNTER-NARCOTICS

In 1979, the State Department reported that the social, economic, and political realities of drug-growing countries make it difficult to prevent cultivation of illicit crops and stop trafficking at the sources.<sup>149</sup> The report noted that most producing nations present problems that are too complex for a predominantly law enforcement approach to be effective in reducing drug supplies. The results of our program in Burma demonstrate the continued validity of this conclusion.

The largest and most complex problem in Burma is the ongoing conflict between the central government and the various ethnic populations. The lack of government control of the border regions has helped trafficking organizations to flourish, and insurgent groups have become increasingly more involved in narcotics trafficking to finance their activities. It is possible that the political motives of some insurgents may eventually dissipate--as happened with the Nationalist Chinese, and more recently, with the breakup of the CPB--leaving Burma with additional well-armed, battle-hardened

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<sup>149</sup> "Gains Made in Controlling Illegal Drugs: Yet the Drug Trade Flourishes", GGD-80-4 (Washington, D.C.: Government Printing Office, Oct. 25, 1979), 4-8.

opium gangs.<sup>150</sup> Therefore, it appears that the longer the insurgencies continue, the more intractable Burma's opium problem is likely to become.

Ongoing insurgencies help to further entrench narcotics trafficking in Burma; they also complicate Burma's severe economic problems which help foster opium production and make narcotics-related operations difficult to combat. The insurgencies consume government resources needed for economic revitalization and discourage outside investment that could provide Burmese farmers with alternatives to opium cultivation. After 40 years of fighting, there is little indication that the insurgencies can be resolved militarily. Therefore, a political settlement with the insurgents is needed before long-term narcotics reductions can be achieved.

Negotiations with the insurgents appear to be a needed step, although a settlement alone cannot be expected to immediately "solve" the opium problem in Burma. First of all, well-armed, profit-oriented groups would remain and, after a political settlement, some insurgents who have gained experience in the drug trade might join them or compete against them. Secondly, the lack of transportation infrastructure will remain a major impediment to the introduction of alternative crops in much of the growing region. As the State Department reported in 1979, rural

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<sup>150</sup> Bertil Lintner, "The Rise and Fall of the Communists", 27-29.

development sufficient to shift farmers away from opium production requires many skills, expertise, and money; if it is ever successful, success will only come after years or decades. However, a political settlement may help foster the cooperative relationship between the central government and the ethnic populations that would be needed to address these problems.

Effective action against narcotics must combine eradication and enforcement against criminal trafficking with economic assistance and political stability. Eradication programs alone will not produce long-term sustainable narcotics reductions, and any successes are likely to be temporary unless actions are taken to provide growers with an alternative source of income.

#### **1. Khun Sa's Offer**

An alternative approach has been proposed by drug lord Khun Sa, who for years has suggested the United States simply buy his entire production, thereby removing it from the market. His plan carries with it a US\$300 million price tag, to be paid over a six year period. The offer also requires assistance in crop substitution and border development, similar to the current United Nations proposal.<sup>151</sup>

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<sup>151</sup> Hodding Carter IV, 86-90.

The proposition is not unique; the U.S. has a history of buying out poppy crops. In the early 1970's, the U.S. paid \$35.7 million to buy out Turkish poppy farmers at a time when 80% of America's heroin came from Turkey. In the Golden Triangle, in 1972, the U.S. bought 26 tons of opium for \$1 million from General Li, an ex-Kuomintang officer who was the most powerful drug lord at the time.<sup>152</sup>

The U.S. government has so far declined Khun Sa's offer, instead, indicting Khun Sa on trafficking and racketeering charges. It would be very difficult for the government to accept his offer because he does not represent the majority of the Shan people, not to mention the other minorities of the growing region. His dominance of the industry is slipping; he now shares control with several competing warlords. His plea falls short of a sincere request for development assistance.

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<sup>152</sup> Alfred McCoy, 73.

## 2. Crop Substitution

U.S. officials have noted that in Thailand, decades of rural development in the opium growing regions, combined with crop substitution programs, poppy eradication, and other enforcement efforts, resulted in the elimination of almost 90% of the opium crop in the past 10 years. Much of the success of the Thai program is attributed to economic assistance from international donors, and a desire by the central government to improve relations with the ethnic minorities involved in Thailand's opium cultivation.<sup>153</sup>

According to the Food and Agriculture Organization of the United Nations (FAO), a primary factor to consider in planning a drug crop substitution program is: how will the farmer view it? The farmer is likely to be most concerned about the existence of alternative on-farm or off-farm activities that will pay at least as much as poppy cultivation, and whether the economic uncertainties associated with growing legitimate crops, such as market factors, outweigh the risks of illicit crop cultivation, where demand seems to be guaranteed. He will also be concerned about the lack of transportation to get his crops to market. His paramount concern will be for his family's safety. For

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<sup>153</sup> Lincoln Kaye, "Of Cabbages and Cultures", "Savior or Seducer?", Far Eastern Economic Review (13 Dec 1990) 35-37.

years the drug barons have extracted an opium tax from the farmers; unless law and order is restored to the countryside few, if any, farmers will adopt a crop substitution program.

The FAO outlines two approaches to crop substitution.<sup>154</sup> One is the removal of drug crops from the agricultural system, increasing output of existing legal crops, and creating marketable surpluses to offset income lost from the drug crops. This tactic was used in the Bruner Project in northwest Pakistan, where poppy-growing was replaced by increased production of wheat, maize, sugarcane, and tobacco.<sup>155</sup> In China's Yunnan province--across the border from the poppy growing region in Burma--alternative crops, including rubber and tea, have successfully replaced opium as the major crop in the region. The second approach involves introducing new crops and varieties, then selecting those which demonstrate the best technological and market potential--this method was used to a great extent in a crop substitution program in northwestern Thailand.<sup>156</sup> This approach may not be as

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<sup>154</sup> "Crop Substitution: A Tactic to Reduce Drug Supply", U.N. Chronicle (New York: Department of Public Information, United Nations, Aug 1987), XIX.

<sup>155</sup> IBID., XIX.

<sup>156</sup> IBID., XIX.



readily acceptable to the local farmers because of the greater risk factor involved. A coordinated effort must assure the region's farmers that a market exists for the new crops and they will receive an income for their labor.

The world community would have to provide support for a project of this magnitude, for a decade or more, until the commercial viability of drug crop substitution has been demonstrated. Providing material assistance for efforts to eliminate illegal drug cultivation and create better alternatives is an important role for the United States, and other government and private organizations to play.

Either way, crop substitution must be seen as an crucial component of a broader development effort. Areas under drug cultivation tend to have a low level of development and primitive infrastructure. Creating conditions for increased legal agricultural output is going to require the construction of roads, irrigation systems and power sources. Improving sanitation facilities and health conditions will also need to be an integral part of the overall program.

## **B. OVERALL POLICY ISSUES**

The United States is faced with the dilemma of articulating its policy regarding Burma, as well as its priorities for these policy programs. The issues at stake include: (1) violations of human rights; (2) pro-democratic reforms; (3) counter-narcotics operations; and (4) economic and trade related issues. These four areas form the basis for U.S. policy in Burma, and the priority of these issues will decide which course of action the U.S. will take. Counter-narcotics has already been addressed, as have the economic and trade issues with relation to Burma's future. Neither of these may form the basis of an overall policy given the significance of the other two areas of concern. In light of their importance, human rights and pro-democracy issues should serve as the foundation of America's overall foreign policy in Burma.

### **1. Human Rights**

If the human rights policy continue to drive the decision making process, then the U.S. Government will not come to terms with the present regime until there is full compliance with internationally recognized standards of conduct. One of the primary objectives of U.S. human rights policy is highly moral in nature--that is to improve the quality of life of people in other countries. This policy reflects an underlying American optimism

about the human condition and an innate sense of idealism in dealing with complex international problems.

Pursuit of these human rights causes is also predicated on a somber appraisal of U.S. national interests. It is believed that a government that seeks to deny its people fundamental civil and political rights is usually prone to aggression and habitually exhibits ruthless and unpredictable behavior internationally.

While in the long term, the United States wants to foster a better world order, the present human rights policy stems from a pragmatic and realistic assessment of the existing international system. As noted by Secretary Shultz, "It is a tough-minded policy, which faces the world as it is, not as Americans might wish or imagine it to be. At the same time, it is an idealistic policy which expresses the continuing commitment of the United States to the cause of liberty and the alleviation of suffering."<sup>157</sup>

Through bilateral channels the U.S. Government has raised specific human rights cases and concerns. This type of "quiet diplomacy" has often been very successful and key to the resolution of various

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<sup>157</sup> Paula Dobriansky, "U.S. Human Rights Policy: An Overview", Current Policy No. 1091 (Washington, D.C.: U.S. Department of State, Bureau of Public Affairs, August 1988).

problems. However, as in the case of Burma, stronger more forceful measures are required when this type of diplomacy fails. Actions which tend to carry the intended message include the issuance of strong public statements of condemnation and the denial of economic and military assistance. These punitive approaches are intended to single out the violators of human rights, while also providing inducements for them to improve their record.<sup>158</sup>

In light of the SLORC's documented brutality, total disregard for human rights, its lack of integrity, and shaky moral and ethical foundations, the United States Government must continue its present policy towards Burma. The present policy censures the Burmese Government for its recent actions, and calls for a world-wide embargo to force the SLORC to give up power to the elected government. All U.S. assistance and aid programs have been terminated. The past narcotics assistance program has also ceased, with only low-level contacts being maintained.

These actions alone are not enough of an inducement for the SLORC to mend its ways. Other countries have not stopped trade or aid to Burma because it has not been in their interest to do so. The U.S.

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<sup>158</sup> IBID.

policy should take additional steps to ensure compliance with a full trade embargo to force the change in leadership. If aid and other concessions were to be withheld from Burma's trading partners, in exchange for compliance, more direct pressure could be brought to bear on the SLORC.

## **2. Supporting Pro-democracy Movement**

A powerful trend toward democratization, or at least political liberalization, seems to be sweeping much of the second and third world countries. Policy makers and a variety of analysts argue that the United States should support transitions to democracy because that policy will lead to a more peaceful world, a world more compatible with U.S. values, a world in which support for the free market will enhance the prospects for prosperity, a world in which citizens of third world democracies will be treated more equitably and have more of their basic human rights protected, and a world in which the likelihood of political stability will increase.<sup>159</sup>

Policy arguments in support of democracy are especially difficult to make because democracy is both

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<sup>159</sup> Robert L. Rothstein, "Democracy, Conflict, and Development in the Third World", The Washington Quarterly (Spring 1991) 43.

an intermediate and terminal goal. That is, the United States supports democracy partly because there is a presumption that the creation of more democratic regimes will lead to other results that are considered beneficial for our own purposes. Other arguments have been made that democratic regimes will be more peaceful and more likely to support free market policies.

If democracy is to remain a mainstay of America's foreign policy, then the U.S. must lend support to the opposition forces to help topple the repressive regime in power today. As indicated by the election results in May of 1990, the people have cried out for democracy. Just as the Thirty Comrades sought help from Japan, the NLD and other opposition groups have sought help in the United States. This country has much to offer in the way of nation-building tools and assistance. Education programs directed towards providing the country with fundamental training in crucial areas: key industries, banking and financial sectors, public works and transportation systems, and other primary segments of a modern society. The mending process cannot begin, however, until the devastation and demise of Burma comes to an end. The people of Burma must be helped to make the next critical move.



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